JRF

UK Poverty 2024

The essential guide to understanding poverty in the UK

JOSEPH ROWNTREE FOUNDATION

Contents

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Foreword

by Paul Kissack, Group Chief Executive of the Joseph Rowntree Foundation (JRF) and the Joseph Rowntree Housing Trust (JRHT)

It has been 20 years since we last saw a sustained fall in poverty in the UK. Even then, the rapid rise in poverty seen in the 1980s had barely been reversed.

Beneath these stubbornly high levels of poverty, an even more troubling picture emerges. Over the past 20 years, **very deep poverty** has risen. Six million people were in very deep poverty in 2021/22, one and a half million more than two decades ago.

Look even further down – to the deepest form of poverty we monitor at the Joseph Rowntree Foundation (JRF) – and we see the scale of destitution in the UK rising fast. Nearly four million people experienced destitution in 2022 – an extraordinary 148% increase over just five years. This included one million children, nearly three times as many as in 2017.

In short, poverty in the UK is deepening. The deeper we look, the faster it is rising. People in poverty are moving further and further below the poverty line.

Little wonder that the visceral signs of hardship are all around us. Food-bank use and the number of families living in temporary accommodation are at record highs. Extreme forms of hardship, like having to rely on charity to be able to eat or stay warm, have become shockingly commonplace.

This is social failure at scale – a failure we pay for twice over.

First, there are the human costs resulting from the blighted lives of millions of people who face avoidable hardship. Going without basic essentials strips people of their dignity and damages their social connections. Living in a cold, damp or insecure home, or not having enough food, damages people's physical health. The stigma attached to poverty can increase social isolation, piling further pressure on people's mental health, when they are already burdened with worry about how to cover life's essentials.

Second, these failures pile pressures onto already stretched public services. Physical and mental health conditions feed through to growing demands on the NHS. The number of people unavailable for work through long-term sickness grows. Local councils spend more and more money on temporary accommodation in the face of growing homelessness. Teachers are unable to close attainment gaps for children who turn up at school from damp or temporary homes and without food in their stomachs. Poverty becomes the enemy of opportunity: talent and potential are wasted in its wake.

This is a story of moral and fiscal irresponsibility. And it is a story we must change.

At the heart of that change is the need for secure, affordable housing, for good jobs and – critically – for the rebuilding of our social security. Our benefits system is not simply an expense to be avoided: it is an investment in people's collective security and future potential. It should be seen as an essential piece of our social infrastructure. We should take pride as a nation in our ability to support those who fall on hard times, just as we take pride in the ability of our NHS to support those who fall ill.

Yet over the past decade, social security has fallen increasingly short, with the real-terms value of payments reaching a 40-year low at the same time inflation hit a 40-year high, pushing people deeper into financial hardship. This is why JRF, along with The Trussell Trust, has been calling for all political parties to commit to an 'Essentials Guarantee' built into Universal Credit, to make sure the basic rate can never fall below what is needed to cover life's essentials like food and energy.

This report – our final UK Poverty report before a general election – sets out the scale and nature of hardship across the UK. We find poverty in every corner of the country, across all ages and in all types of families. 2024 will be a year of important choices, the consequences of which could last far into the future as the nation goes to the polls. Political parties in the UK will set out what they stand for and the sort of country they wish to help shape. Any party serious about governing must be both practical and ambitious if we are to turn the tide of deepening poverty of the past 25 years.

Executive summary

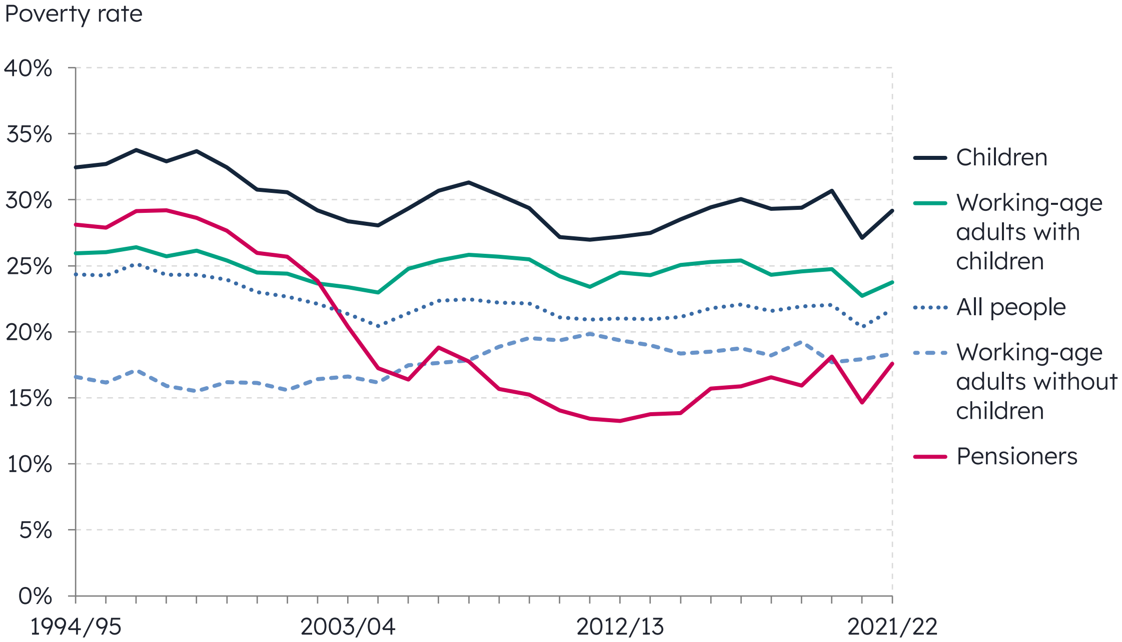
This will be the final UK Poverty report before the next general election. It is clear from the report that we are entering this election year with unacceptably high levels of overall poverty, including appalling levels for many groups. Since our last report was published a year ago, we have seen more and more evidence of the desperate measures that households struggling to make ends meet are having to take. At the same time, higher tides of insecurity have washed over more and more people.

This report looks across a range of data sources and published insights to build up a comprehensive picture of the current state of poverty across the United Kingdom (UK). We know poverty can lead to negative impacts at all stages of life, so it is critical to look closely at the available information to work out who is worst affected, determine how levels have changed over time and see what the future prospects are likely to be.

Poverty increased in the latest official data, returning close to pre-pandemic levels

More than one in five people in the UK (22%) were in poverty in 2021/22 – 14.4 million people. Of these, 8.1 million were working-age adults, 4.2 million were children and 2.1 million were pensioners. To put it another way, around two in every ten adults are in poverty in the UK, with about three in every ten children being in poverty. The number and proportion of children and pensioners in poverty rose between 2020/21 and 2021/22, as did overall poverty. This means that poverty rates across these different groups have returned to around their pre-pandemic levels. It may seem counter-intuitive that poverty increased as we came out of the pandemic, but this is consistent with incomes rising for middle-income households at the same time as a range of temporary coronavirus-related support was withdrawn.

Children have consistently had the highest poverty rates, while pensioners along with working-age adults without children now have the lowest



Source: Households Below Average Income, 2021/22, Department for Work and Pensions (DWP)

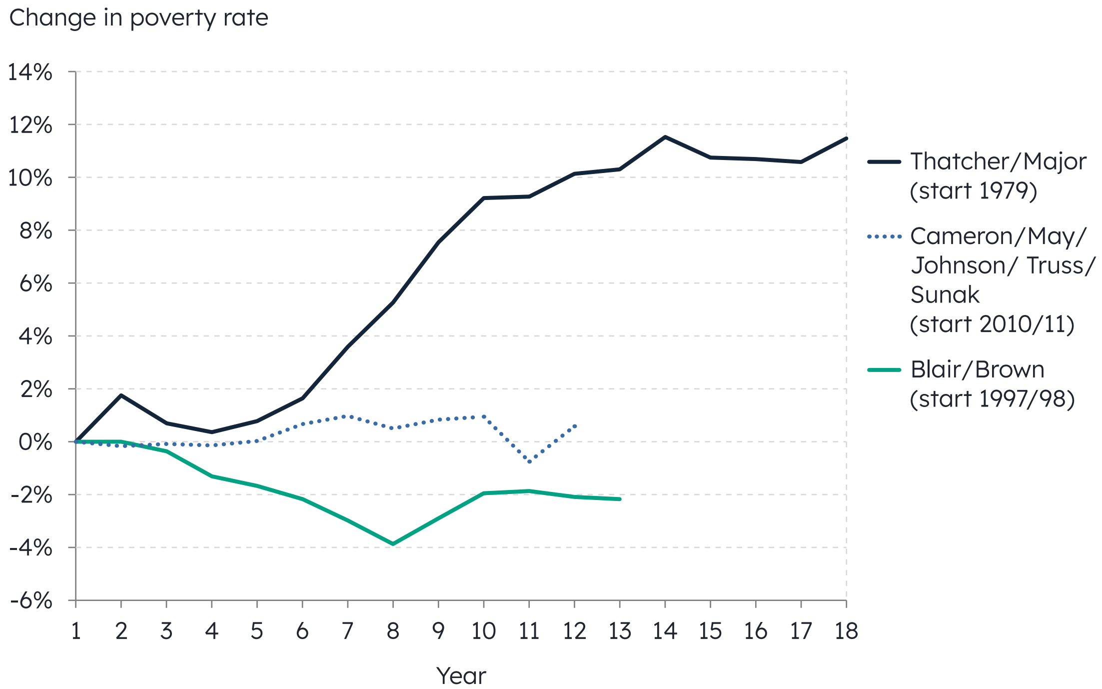
It has been almost 20 years and six prime ministers since the last prolonged period of falling poverty

Taking a longer-run view, we can see that overall poverty has barely moved since Conservative-led Governments took power in 2010. The last period of falling poverty was during the first half of the previous Labour administration (between 1999/2000 and 2004/05), but it then rose in the second half of their time in power.

In part, this reflects the series of hits to living standards that have affected the whole population. Each of the five Parliaments since 2005 has recorded lower quarterly income growth than the last 13 Parliaments before 2005, stretching back to the start of available data in 1955. This started with the economic slowdown even before the global financial crisis and persisted through the crisis itself, then austerity, Brexit, the coronavirus pandemic and the current cost-of-living crisis.

However, even with higher income growth in the 1980s, the-then Conservative Government under Margaret Thatcher saw an unprecedented rise in poverty, up from broadly flat levels of poverty of around 14% before 1979, meaning current levels of poverty are around 50% higher than they were in the 1970s. The large increase in poverty in the 1980s was because income growth was very unequally shared over this period.

Poverty rates grew rapidly under Margaret Thatcher's administration and remained high, with only small decreases in subsequent administrations



Source: Institute for Fiscal Studies' (2023) analysis of Family Expenditure Survey and Households Below Average Income data

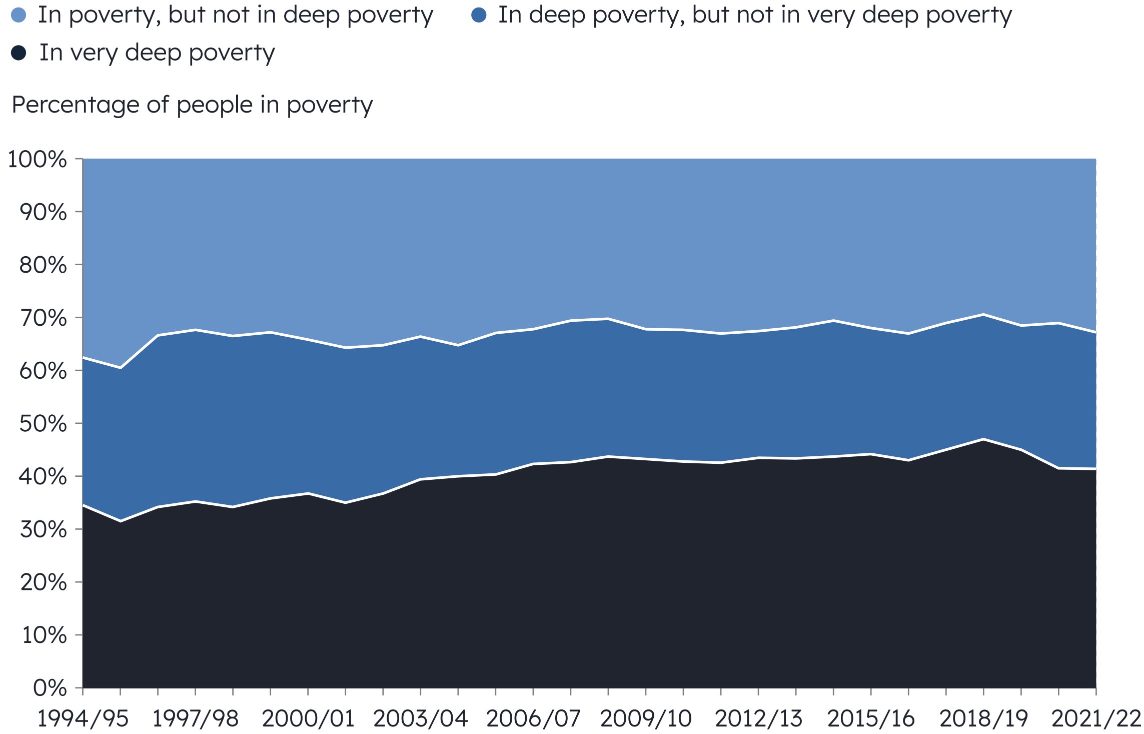
Poverty is deepening

In 2021/22, 6 million people – or four in ten of those in poverty – were in very deep poverty, with an income far below the standard poverty line. More than twice as many (over 12 million people) had experienced very deep poverty in at least one year between 2017/18 and 2020/21.

Between 2019/20 and 2021/22, the average person in poverty had an income 29% below the poverty line, with the gap up from 23% between 1994/95 and 1996/97. The poorest families – those living in very deep poverty – had an average income that was 59% below the poverty line, with this gap increasing by around two-thirds over the past 25 years.

The average gap to the poverty line was equivalent to £6,200 a year between 2019/20 and 2021/22 for a couple with two primary-school-aged children, but for the same family in very deep poverty, the gap was more than twice that amount, equivalent to £12,800 a year. Over the past 25 years, the average gap to the poverty line for people who are living in very deep poverty has grown by around two-thirds.

Since 1994/95, the percentage of people in poverty who are in very deep poverty has increased, and now makes up the largest group of people in poverty



Source: Households Below Average Income, 2021/22, DWP

Note: The group in very deep poverty includes people whose equivalised household income after housing costs (AHC) is less than 40% of median AHC income. The group in deep poverty, but not very deep poverty, have an equivalised AHC household income less than 50% but more than 40% of median AHC income. The group in poverty, but not deep poverty, have an equivalised AHC household income less than 60% but more than 50% of median AHC income.

Looking at the deepest and most damaging form of poverty – destitution, where people cannot afford to meet their most basic physical needs to stay warm, dry, clean and fed – we see from our latest Destitution in the UK report that around 3.8 million people experienced destitution in 2022, including around one million children (Fitzpatrick et al, 2023). These figures have more than doubled since 2017. We see further evidence of deepening poverty in the increasing number of food-bank users, with more emergency food parcels being delivered by the Trussell Trust network than ever before.

Some groups have wholly unacceptably high rates of poverty

We have already seen that **children** have higher risks of poverty overall (29% versus 22% for the whole population), but larger **families with three or more children** have consistently faced a higher rate of poverty (43% of children in large families were in poverty in 2021/22). This is because a number of benefit policies have a disproportionate impact on larger families. These include the two-child limit, which restricts eligibility for many child-related benefits to the first two children in a household, and the benefit cap, which limits the total income a household can receive in out-of-work benefits. Reductions in the poverty rate of children in large families drove child poverty downwards until 2012/13, but increases for this group have driven child poverty back up again since then.

Families with children also face additional challenges if childcare responsibilities limit their ability to undertake well-paid and high-quality work, which is often the case for **lone-parent families and families with younger children**; 44% of children in lone-parent families were in poverty in the latest data – 2021/22 – as were 32% of children in families where the youngest child was aged under 5.

Poverty rates are very high for **some minority ethnic groups**. In particular, between 2019/20 and 2021/22, around half of people in Pakistani (51%) and Bangladeshi (53%) households lived in poverty, with even higher poverty levels for children in those households (61% and 62% respectively). Around four in ten people in households headed by someone from an Asian background other than Indian, Pakistani, Bangladeshi or Chinese (39%) or households from Black African backgrounds (42%) were in poverty, with around half of children in these households in poverty. All these groups were much more likely than people in households headed by someone of white ethnicity (19%) to be in poverty (25% of children in households headed by someone of white ethnicity were in poverty). Minority ethnic groups with higher rates of poverty tended to also have higher rates of very deep and of persistent poverty.

Disabled people face a higher risk of poverty and have done so for at least the past 20 years. This is driven partly by the additional costs associated with disability and ill-health, and partly by the barriers to work that disabled people face. However, the proportion of disabled working-age adults in work increased from 42% in 2010/11 to 51% in 2021/22, while poverty rates remained steady over that period. In the latest data, there were 15.7 million disabled people in the UK – that is, nearly one in four people (24%) – and just over a third of all families contained at least one person who was disabled. The poverty rate for disabled people was 31%, 12 percentage points higher than the rate for people who were not disabled. Nearly half of all people who were disabled and living in poverty had a long-term, limiting mental condition – around 2.3 million people. The poverty rate for this group was 38%, compared with 31% for people with a physical or other type of disability.

Similarly, **informal carers** are much more likely than those with no caring responsibilities to be living in poverty (28% compared with 20%). In 2021/22, nearly one in ten adults (4.8 million) were informal carers, with six in ten of these carers living in families where someone was disabled. Their reduced ability to work means informal carers face a financial penalty, with unpaid social-care givers experiencing an average pay penalty of £414 a month (nearly £5,000 a year).

People in **workless** households also face a higher risk of poverty, with more than half of working-age adults (56%) in workless households being in poverty in the latest data. However, because such a high share of the population is in work, around two-thirds of working-age adults in poverty actually lived in a household where someone was in work, despite these households having a much lower poverty rate of 15%. The poverty rate for part-time workers was double that for full-time workers (20% compared with 10%) and self-employed workers were more than twice as likely to be in poverty as employees (23% compared with 10%). Workers in the administration and support activities sector had the highest poverty rate at 22%.

There is also a link between tenure type and poverty. In 2021/22, more than four in ten **social renters** (43%) and around a third of **private renters** (35%) were in poverty after housing costs. Within this group of renters in poverty, around a third of social renters and half of private renters were only in poverty after their housing costs were factored in, and so appear to be pushed into poverty by the amount of money they have to spend on housing. Among homeowners, around one in seven (15%) of people who lived in a home that was owned outright were in poverty, while one in ten people living in a home being bought with a mortgage (9%) were in poverty.

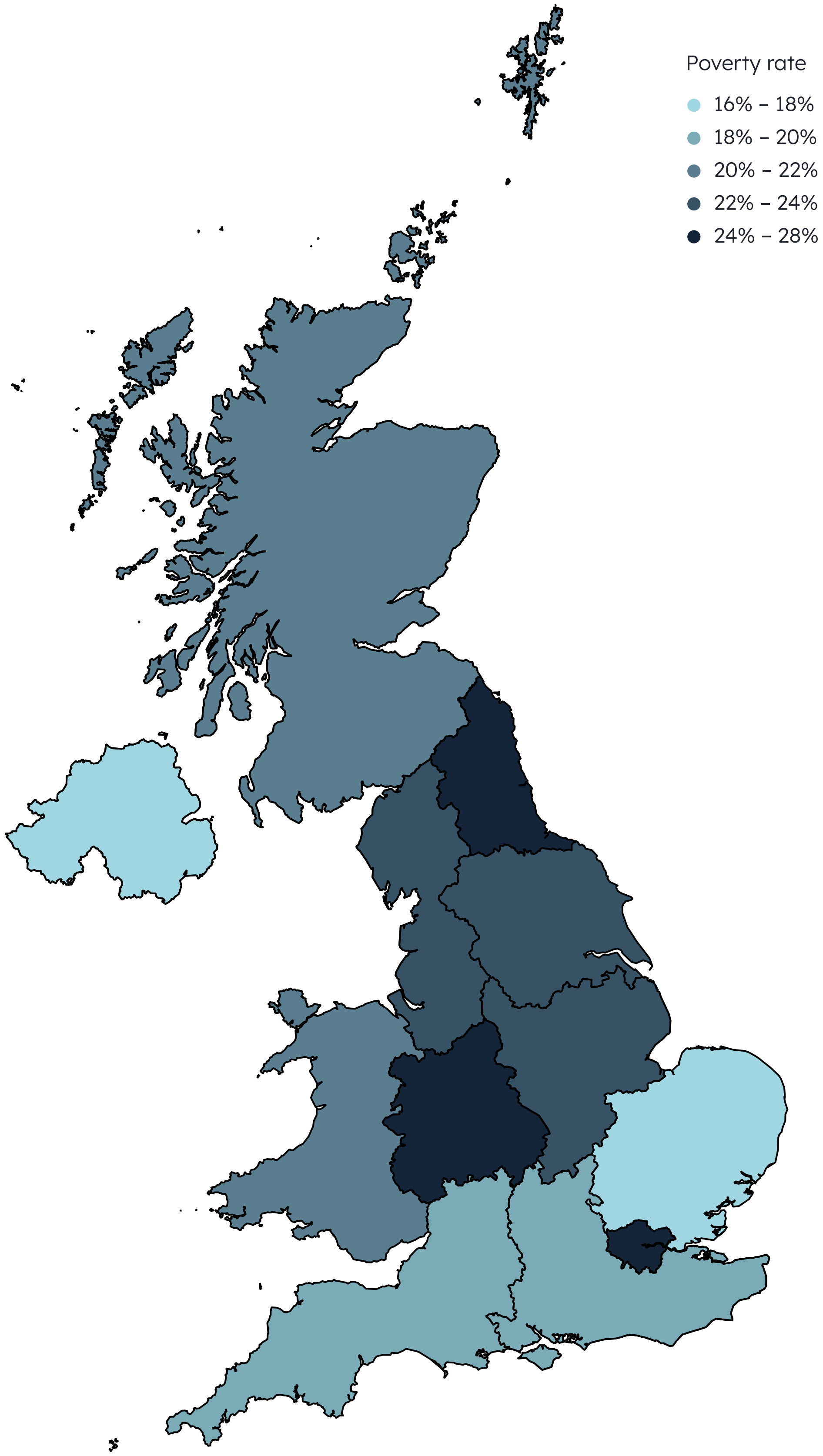
Finally, the poverty rates of people claiming different **income-related benefits** are much higher than the national average poverty rate. On the one hand this is to be expected given the ‘low income’ eligibility criteria for claiming these benefits, but on the other hand it demonstrates that the level of benefits available is frequently not sufficient to enable recipients to escape poverty. Indeed, the basic rate of Universal Credit is even below destitution thresholds.

Poverty rates vary significantly between UK nations and regions

In the latest data, the average poverty rates in England (22%), Wales (22%) and Scotland (21%) had converged to around the same level, although poverty rates were much lower in Northern Ireland at 16%. These variations in poverty rates across the different nations of the UK are driven by differences in labour markets (including the levels of employment, the sectors worked in and rates of pay), housing markets (the mix of tenures and housing costs) and rates of benefit receipt, alongside wider demographic factors (age, family types and sizes). The greater reliance on renting and the higher costs of housing are a substantial driver in larger cities in particular, while lower rates of employment, with fewer employment opportunities alongside a greater concentration of employment in lower-paid roles and sectors, are more significant drivers of poverty across many post-industrial and coastal areas.

Child poverty rates in Scotland (24%) remain much lower than those in England (31%) and Wales (28%) and are similar (if slightly higher) than in Northern Ireland (22%). This is likely to be due, at least in part, to the Scottish Child Payment. This highlights the effect benefits can have in reducing poverty.

Poverty rates vary significantly between UK nations and regions



Source: Households Below Average Income, 2019/20 and 2021/22, DWP

In the latest data, the West Midlands had the highest rate of poverty at 27%, followed by the North East and London (both 25%), Yorkshire and the Humber, the East Midlands and the North West (all 23%). In the West Midlands and the North East, around one in four working-age adults were not in work or studying, compared with fewer than one in five in the regions with the lowest rates of poverty (the South West, South East and East of England). London has long had the highest rate of poverty of the UK nations and regions, but the data for the latest years shows an improving employment picture, with more employment in higher-paid managerial and 'professional' roles and an increase in the number of people in households where all adults are in work, but with higher rates of poverty than the UK average due to high housing costs.

More timely data shows the continuing bite of the cost-of-living crisis

In October 2023, around 2.8 million of the poorest fifth of households (47%) were in arrears with their household bills or behind on scheduled lending repayments, 4.2 million households (72%) were going without essentials and 3.4 million households (58%) reported not having enough money for food.

This is why it is so important that the Government has uprated benefits in an appropriate way and has re-established the link between housing support and rents. However, it is very worrying that many of the Government's mitigations are ending, with no further one-off cost-of-living lump-sum payments planned and possibly the Household Support Fund stopping – especially when our analysis shows that the basic rates of benefits are below destitution levels and JRF's cost-of-living tracker finds that millions are going without essentials.

Future prospects remain deeply worrying

It is clear from a range of indicators that the current economic situation is bad, with inflation still running at around twice its target level, benefits taking time to catch up with rising prices, employment starting to fall, earnings still below their 2008 levels and housing costs increasing quickly. Given the Office for Budget Responsibility (2023) forecasts falling average household disposable incomes between 2021/22 and 2024/25, these effects will have a profound impact on many people's living standards for years to come.

What can be done?

In our public attitudes work immediately before the Autumn Statement in November 2023, 73% of people across the UK were very or fairly worried about the cost of essentials, which was their second highest area of worries after public services. There is also a recognition of the scale of the problem (according to the British Social Attitudes survey, the proportion of people who think there is quite a lot of real poverty in Britain has increased by nearly 20 percentage points since 2006) and the need for action (in surveys since 2017 the majority of the British public have agreed that the Government should increase tax and spending on health, education and social benefits).

We have now experienced nearly three tough years of accelerating inflation and four desperate years since the start of the Covid-19 pandemic, with stagnant progress on headline poverty and increasing levels of deep poverty and destitution even before then.

In our annual UK Poverty report published immediately before the pandemic, we started the report with the following statement:

“For a decent standard of living, we all need security and stability in our lives – secure housing, a reliable income, and support when things get difficult. For too many of us, there is no such security. Millions of people in the UK are struggling to get by, leading insecure and precarious lives, held back from improving their living standards. It’s time to take action on poverty and put this right.”
Joseph Rowntree Foundation, 2020, p. 3

This remains our clarion call as we approach a general election. It is the key test we will be using to evaluate political parties’ policies, and their proposals to tackle hardship and expand the foundations of economic security to everyone. This requires action to reset our social and economic fundamentals in a number of ways, starting with the following:

- offering help and space for those looking for work to find a secure job that sticks, while making work possible and desirable for those outside the labour market if this is feasible
- raising the basic level of workplace rights and protections, including expanding rights to flexible working, alongside improving financial protection if people lose their job or cannot work for a period
- protecting time for families and for caring around working life, while building up and strengthening the infrastructure of care services that families can rely on

- ensuring social security provides sufficient income to afford the essentials, alongside forging a ‘social safety net’ of crisis support, practical help and social connection where people live
- putting future pension provision on a more secure footing by raising minimum contribution rates and establishing good options for people to use their savings pot to provide a secure standard of living in retirement
- helping people accrue modest savings, access affordable credit, gain relief from problem debt and hold assets (especially those without access to family wealth)
- expanding access to secure homes, whether rented or owned, via interventions to build more new homes and shift the distribution of existing homes.

Beyond all of this, we need a vision for reducing poverty in the broadest sense, making progress so that everyone can afford the essentials. This must reduce the level, depth and extremes of poverty across the whole of the UK, decreasing it quickly for the groups for whom poverty is virtually endemic. A suite of policies that are proportionate to the size of the problem is needed for this. These policies need to build into a coherent overall plan to end poverty in the UK. The Government must act with compassion, drawing on the lived experience of people who have gone through hardship. It must also implement creative policy innovations that enable everyone to live with dignity, to be able to seize opportunities and, most importantly, to build a sense of hope for a better future.

Trends in poverty

Trends in poverty

Overall poverty rates for children, working-age adults and pensioners

Why is this important?

We know that poverty has a wide range of negative consequences. It restricts the options and opportunities available to people and limits their access to things that are mostly taken for granted. Poverty at any stage of life can lead to later adverse consequences.

Poverty constrains a person's ability to afford to buy what they need and participate in the activities that others in society routinely undertake. Low incomes also reduce financial resilience to unexpected expenses, such as car repairs or a faulty washing machine, and lead to households falling behind with bills for utilities, Council Tax or other essentials.

Money worries in turn contribute to low-income adults and their children being much more likely than wealthier adults and children to suffer from depression or anxiety. Poverty can also affect the prospects of children, who may fail to reach the same level of educational attainment as those from wealthier families. This in turn can make escape from poverty even harder when they become adults.

What's the headline story in the latest data?

The latest official poverty data – from the Department for Work and Pensions' Households Below Average Income (HBAI) data series – corresponds to 2021/22. While the latest results are of higher quality than those of the previous year, the Covid-19 pandemic has had an effect on the data collection. Further details on the impact of the pandemic on the data source are given in Annex 5. So we still need to exercise a degree of caution in judging whether changes that we see in the data are due to real effects or data-quality issues, especially changes during and following the pandemic. We will continue to review our conclusions as further data becomes available.

In 2021/22, more than one in five people in the UK (22%) were in poverty – 14.4 million people. Of these, 8.1 million were working-age adults, 4.2 million were children and 2.1 million were pensioners. Throughout this report, when we use the term 'poverty', we are using the relative poverty rate, after housing costs, unless otherwise stated. See Annex 1 for more information on poverty definitions, as well as the trends using alternative definitions.

The latest data tells us that close to three in ten children in the UK (29%) were living in poverty in 2021/22. Around nine in twenty children in lone-parent families (44%) lived in poverty, compared with five in twenty of those in couple families (25%).

Adults and children in lone-parent families were by far the most likely of any family member types to be struggling with poverty. When we looked at pensioners, the poverty rate for single pensioners was almost double that of couple pensioners, with around one in six pensioners overall living in poverty.

Number of people in poverty and poverty rates for different groups, UK, 2021/22

Group	Number in poverty	Poverty rate (%)
People	14,400,000	22
Children	4,200,000	29
Working-age adults	8,100,000	20
Pensioners	2,100,000	18
Single pensioners	1,100,000	25
Couple pensioners	1,000,000	14
Single working-age adults, no children	3,000,000	24
Working-age adults in a couple, no children	1,900,000	13
Working-age lone parents	800,000	42
Working-age parents in couple families	2,400,000	21
Children in lone-parent families	1,500,000	44
Children in couple families	2,700,000	25

Source: Households Below Average Income, 2021/22, DWP

Since the end of the latest data collection period for the Family Resources Survey and Households Below Average Income data in March 2022, there have been lots of signs of a very difficult situation continuing for poorer households, with our latest cost-of-living tracker covering October 2023 showing that around 2.8 million households (47%) of the poorest fifth of households are in arrears with their household bills or behind on scheduled lending repayments and 4.2 million (72%) are going without essentials. This is a slight improvement compared with October 2022, but still shows a massive degree of financial strain for these households.

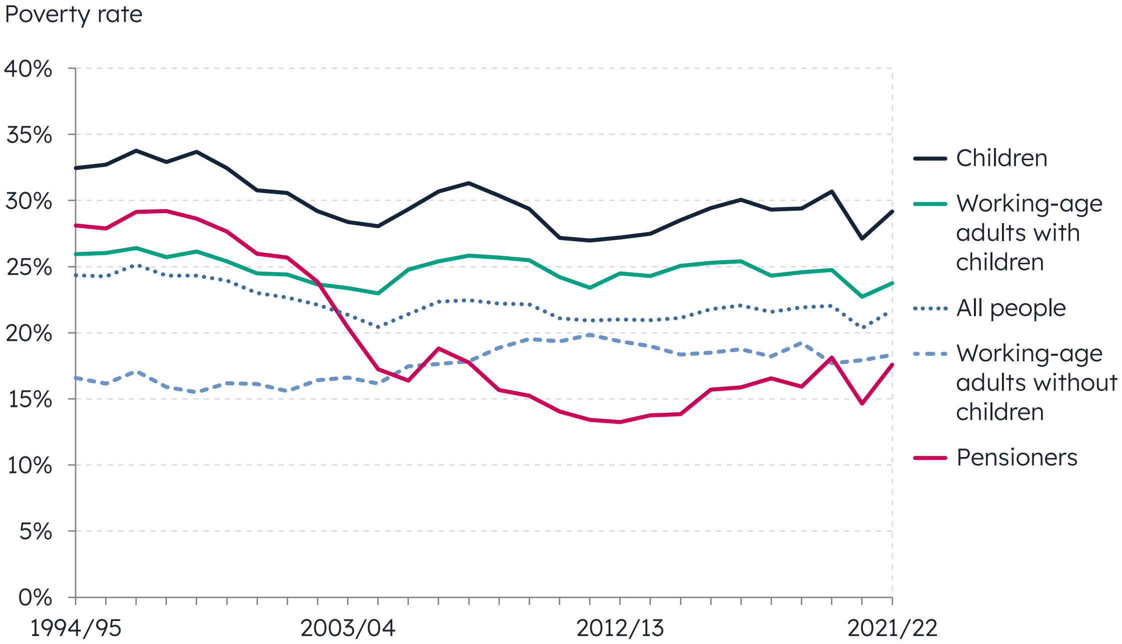
How has this changed over time?

The number and proportion of children and pensioners in poverty rose between 2020/21 and 2021/22, as did overall poverty. The proportion of children in poverty rose by 2 percentage points to 29%, while the proportion of pensioners in poverty rose 3 percentage points to 18%. This means that the proportions of the different population groups in poverty have returned to around their pre-pandemic levels. Poverty increasing as we came out of the pandemic might seem counter-intuitive, but this is consistent with recovering average incomes causing the relative poverty line to rise (median household incomes after housing costs rose by 2% between 2020/21 and 2021/22), at the same time as a range of temporary coronavirus-related support was withdrawn. Children and pensioners would be the two groups where the impact of this would be most likely to be seen – children, as they are the group most likely to be in poverty and thus to be in families in receipt of benefits subject to changes, and pensioners, who are more likely to be on a fixed income not affected by the post-pandemic recovery.

Children have consistently had the highest poverty rates throughout the past 25 years. Twenty-five years ago, a third of children lived in poverty. This fell to 28% by 2004/05 and reached its lowest level of 27% between 2010/11 and 2013/14. After this period, child poverty rose, reaching 31% in 2019/20, before falling back to 27% in 2020/21 and then rising in the latest data. Families with children are more likely to be receiving benefits than families without children, so this pattern reflects changes in employment levels, earnings and benefits. Recent analysis from UNICEF (UNICEF Innocenti, 2023) shows that these increases over the last decade have not been mirrored in the majority of the other 38 countries of the European Union and Organisation for Economic Co-operation and Development included in their report.

After the pensioner poverty rate more than halved from just under 30% in the mid to late 1990s to 13% in 2012/13 (driven by increasing income from private pensions and increases in benefits), it edged up from then to 2019/20, before a reduction to 15% in the data for the pandemic year of 2020/21. It stood at 18% in the latest year.

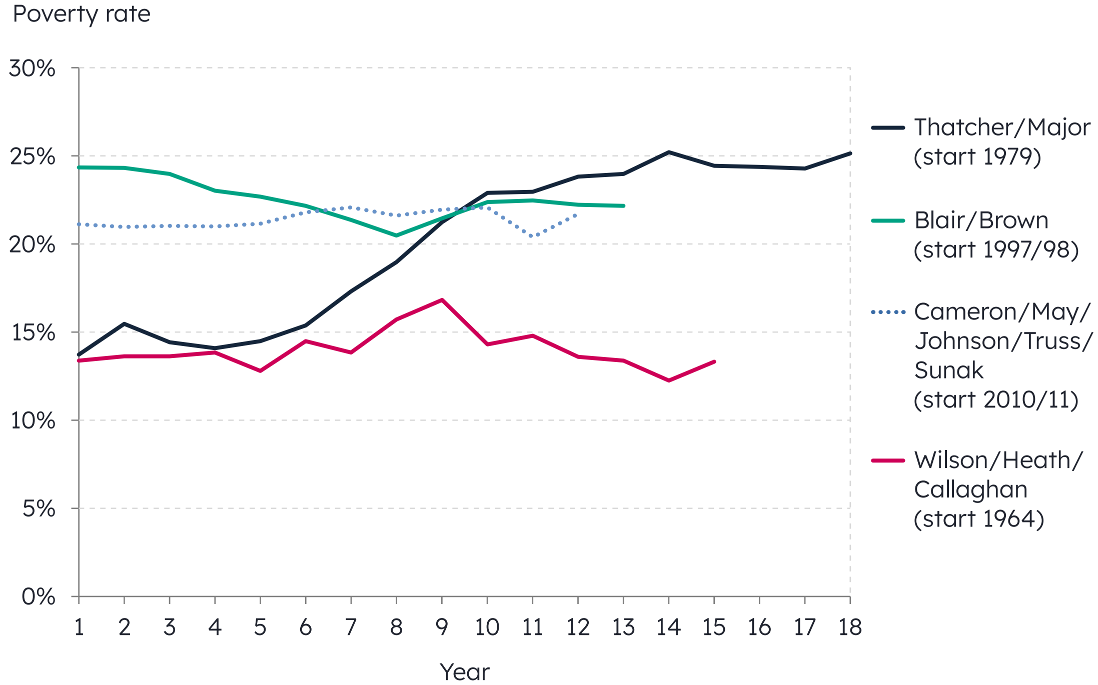
Children have consistently had the highest poverty rates, while pensioners along with working-age adults without children now have the lowest



Source: Households Below Average Income, 2021/22, DWP

The Institute for Fiscal Studies publishes poverty rates on a consistent basis which go back to 1961. This enables us to take a longer-term perspective, including comparing the performance of different administrations. The chart below compares the poverty performance of the current Government with those of its immediate predecessor Labour administration and the Conservative Government before that. The Labour administrations of Harold Wilson and James Callaghan have been combined with that of the Conservative Edward Heath to give an idea of performance before 1979.

Poverty rates grew rapidly under Margaret Thatcher's administration and remained high, with only small decreases in subsequent administrations



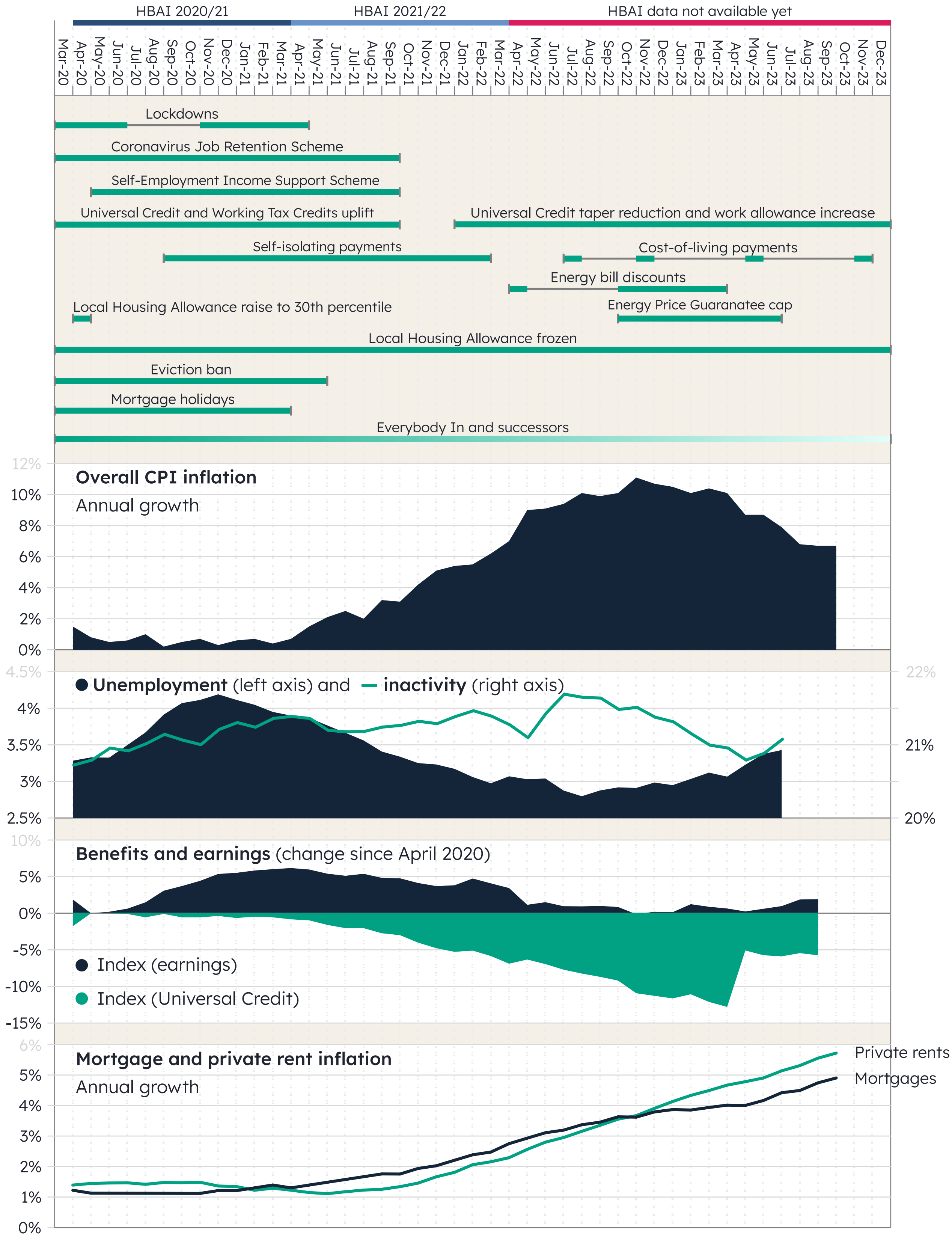
Source: Institute for Fiscal Studies' (2023) analysis of Family Expenditure Survey and Households Below Average Income data

Note: Administrations since 1979 have been split by the political party leading the Government. The Labour and Conservative administrations between 1964 and 1979 have been combined to show longer-term performance over this period.

Poverty rates hovered between 12% and 17% during the administrations of Harold Wilson, Edward Heath and James Callaghan. They then rose rapidly under the administration of Margaret Thatcher, reaching around a quarter in the early to mid 1990s. There was some reduction in the headline rate under Tony Blair and Gordon Brown, but there has been a disappointing, broadly static, picture since then.

The latest published data covers 2021/22, a year of recovery from the pandemic, but the start of the cost-of-living crisis, with accelerating inflation. It is worth noting the timings of different events affecting household incomes since the pandemic, as well as data availability, which are summarised in the graphic below.

A schematic diagram of data availability, coronavirus lockdowns and policy changes, alongside changes in inflation, unemployment and inactivity, benefits and earnings, and housing costs



What are the future prospects?

Future trends in poverty depend on what happens to its drivers, which include employment and earnings, benefits and tax credits, and housing costs, as well as how the cost of living is changing.

Since the start of the Covid-19 pandemic, there have been massive and, to some extent, temporary distortions to these key drivers. It will take some time for these to move through the published data (in addition to the pandemic affecting the ability to collect accurate data), meaning care will have to be taken in interpreting the next few official poverty statistics. However, our best judgement of changes since the end of the period covered by the latest Households Below Average Income (HBAI) data and future prospects is given in the table below.

Summary of changes to drivers of poverty levels

Driver	Effect of increase	Since latest HBAI data	Future prospects
Employment	Generally poverty reducing	Mixed: Falling rates of inactivity but rising unemployment.	Bad: The Office for Budget Responsibility (OBR) forecasts falling employment from late 2023 to mid 2025 and for it still to be below its 2022/23 level at the start of 2028.
Earnings	Ambiguous – can increase relative poverty if benefiting middle-income households more than low-income ones	Mixed: Average earnings are currently rising in real terms – that is, going up faster than inflation – but are 7% below 2008 levels. In April 2023, National Living Wage rates increased by around inflation (9.7%).	Mixed: The OBR forecasts wages growing faster than inflation from 2023 to 2028, but at a relatively slow rate, so they remain significantly below 2008 levels throughout the period, with the net effect of frozen tax thresholds and National Insurance cuts reducing earnings. We also have a higher-than-inflation 9.8% increase in the National Living Wage; however, this isn't perfectly targeted at the lower-income households with someone in work.

Driver	Effect of increase	Since latest HBAI data	Future prospects
Benefits	Generally poverty reducing	Bad: Benefits are currently close to a 40-year low because the historic inflation rate used for uprating was much lower than the inflation rate across the whole of 2022/23, with the April 2023 increase not fully closing the gap. Lump-sum payments have mitigated this somewhat, but the fall in the basic rate remains.	Mixed: Benefits have been increased in line with inflation as has the benefit cap (the maximum amount of benefit someone out of work can receive in benefits). Local Housing Allowance has been reset to the 30th percentile of actual rents. However, the basic rate of benefits is below destitution levels and no further funding of one-off cost-of-living payments or the Household Support Fund has been announced.
Housing costs	Generally poverty increasing	Bad: Rents and mortgages are increasing at an accelerating rate. Many private rents are related to the Consumer Price Index (CPI), with some housing costs (for example, shared accommodation) based on the Retail Price Index (RPI), which tends to be even higher.	Bad: The OBR forecasts extremely high growth in rent and mortgage costs throughout 2024 and into 2025 due to higher interest rates.
Inflation	Limited effect on relative poverty but will increase the cost of living	Mixed: Now falling from a 40-year high, which was driven by high energy prices, which are still feeding into the costs of many other items, including essentials. Still much higher than the Bank of England's target rate.	Mixed: The OBR expects falling inflation throughout 2024 to reach the 2% Bank of England target rate in early 2025, but it will be above it throughout 2024. Falling inflation does not reverse the increases in prices, but simply means prices have stopped rising so quickly.

Note: OBR = Office for Budget Responsibility.

It is clear from this table that the current economic situation is by no means positive, with all of the key drivers of poverty showing either a negative or mixed picture. While the Office for Budget Responsibility is forecasting improving trends in earnings and inflation, with benefits keeping up with inflation albeit with a lag, much of this is just starting to make up some of the (in many cases) extensive ground lost through the cost-of-living crisis and beforehand. It is clear from the Office for Budget Responsibility's forecast of falling real household disposable incomes between 2020/21 and 2024/25 that these effects will continue to have a profound impact on many people's living standards.

It is therefore worrying that many of the Government's mitigations are ending, including one-off cost-of-living lump-sum payments and possibly the Household Support Fund, especially when JRF's cost-of-living tracker finds that millions of people are going without essentials and our analysis shows that basic rates of benefits are below even destitution levels.

During a recession, relative poverty measures (which depend on how poorer households are faring compared with the average household) are highly dependent both on what governments do to protect the incomes of poorer households and also on the impact of the recession on the average household. We expect relative poverty to rise in the next set of data for 2022/23 as benefits rose by less than earnings. We would also expect a larger rise in absolute poverty, as both earnings and benefits rose by less than inflation.

Relative poverty in 2023/24 may actually show an improvement compared with 2022/23 because poorer households' incomes are falling less quickly than the average household. However, this is likely to be only a short-term effect, which reverses as the economy starts to grow again from 2024/25. It could still mean the incomes of poorer households are falling, so with a likely picture of more and more households going without essentials, there will be little comfort in any short-term reductions in relative poverty.

How does this section interact with other sections?

Overall poverty levels are influenced by all subsequent sections. It is only by looking across all these that a true picture of the current and future situation can be ascertained.

Poverty depth and duration

Why is this important?

As this report makes clear, poverty affects the lives of millions of people. But poverty is not a uniform experience. Living in poverty for longer periods of time has a greater negative impact than shorter or temporary spells. Also, families living in 'deep poverty', and especially those experiencing destitution, are more likely to experience more severe outcomes as they struggle to afford to meet even their most basic physical needs: to be warm, dry, clean and fed.

What's the headline story in the latest data?

Deep and very deep poverty

In 2021/22, around 9.7 million people across the UK lived in 'deep poverty' (that is, with an equivalised household income after housing costs that was less than 50% of the UK median). Within this, 6.0 million lived in 'very deep poverty' (that is, with an income less than 40% of the UK median). This means that around four in ten people in poverty were living in very deep poverty (41%), a further quarter (26%) were living in deep poverty but were not in very deep poverty (with an income between 40% and 50% of the UK median) and a third were in poverty but not in deep poverty (with an income between 50% and 60% of the UK median).

To get a sense of the intensity of poverty experienced in the UK, the poverty gap can be estimated. This demonstrates the size of the gap between the median income of people in poverty and the poverty line. It therefore shows the average amount of money that would be needed to bring the incomes of people in poverty to the poverty line. Between 2019/20 and 2021/22, the poverty gap was 29%. That is to say, the median household income of people living in poverty was 29% below the poverty line. To put this in context, this is equivalent to a gap of £6,200 a year for a couple with two primary-school-aged children living in poverty.

Between 2019/20 and 2021/22, the median household income of people living in deep poverty was 30% below the deep poverty line. This is equivalent to a gap of £5,400 a year for a couple with two primary-school-aged children who were in deep poverty. The very deep poverty gap for people on the lowest incomes was a similar monetary amount (around £5,600 a year for such a family) but, given the very low incomes of people in very deep poverty, the very deep poverty gap was much larger in percentage terms (38%).

However, while moves out of deep and very deep poverty to less deep poverty will help to alleviate some of the worst hardship, families in less deep poverty still have to make ends meet on very low incomes. Between 2019/20 and 2020/21, a couple with two primary-school-aged children with the median income of someone in deep poverty would have needed their income to increase by an average of £9,100 a year to move out of poverty completely, while the equivalent family in very deep poverty would have needed an additional £12,800 (or more than double their income).

Destitution

The deepest and most damaging form of poverty is destitution, where people cannot afford to meet their most basic physical needs: to stay warm, dry, clean and fed. Our latest Destitution in the UK report found that around 3.8 million people experienced destitution in 2022, including around one million children (Fitzpatrick et al, 2023).

Persistent poverty and very deep poverty

The Department for Work and Pensions publishes estimates of the proportion of people who live in persistent poverty (here measured as having an income after housing costs that is less than 60% of the annual UK median in at least three years out of four) each year. The latest data shows that, between 2017/18 and 2020/21, 12% of people across the UK lived in persistent poverty. The persistent poverty rate was higher for children (19%) than for pensioners (10%) and working-age adults (11%).

Persistent very deep poverty rates (looking at households with an income less than 40% of the UK median in at least three years out of four) are much lower than the persistent poverty rate.[1] There is also a large amount of churn in the group of people experiencing very deep poverty each year. Between 2017/18 and 2020/21, an average of around 2.5 million people moved into very deep poverty each year, with a similar number moving out. Nonetheless, 3% of the UK population (equivalent to around 1.9 million people) experienced persistent very deep poverty over this period, including 3% of children and of working-age adults, and 1% of pensioners. As another 10.4 million people experienced very deep poverty in either one or two years out of four, this means that more than 12 million people in the UK experienced very deep poverty in at least one year between 2017/18 and 2020/21.

People living in lone-parent families and larger families face a bigger risk of living in persistent poverty. Between 2017–18 and 2020–21, one in three people in lone-parent families and three in ten children in large families were in persistent poverty. People in lone-parent families (8%) also faced a much higher risk of persistent very deep poverty, but this was not the case for children in large families. However, single adults in general were also more likely to experience persistent very deep poverty.

Persistent poverty and very deep poverty rates for different groups, UK, 2017–18 to 2021–22

Group	Persistence rates	
	Poverty (%)	Very deep poverty (%)
People	12	3
Children	19	3
Working-age adults	11	3
Pensioners	10	1
Single male pensioners	17	2
Single female pensioners	18	3
Couple pensioners in persistent poverty	6	1
Single working-age men with no children	14	6
Single working-age women with no children	14	5
Working-age adults in a couple with no children	5	2
Working-age lone parents	34	8
Working-age parents in couple families	13	2
Children in couple families	14	2
Children in lone-parent families	35	7
Children in one-child families	14	4
Children in two-child families	14	3
Children in large families (3+ children)	30	4

Source: DWP (2023e) and JRF analysis of Understanding Society, 2021–22 (Institute for Social and Economic Research, 2023)

How has this changed over time?

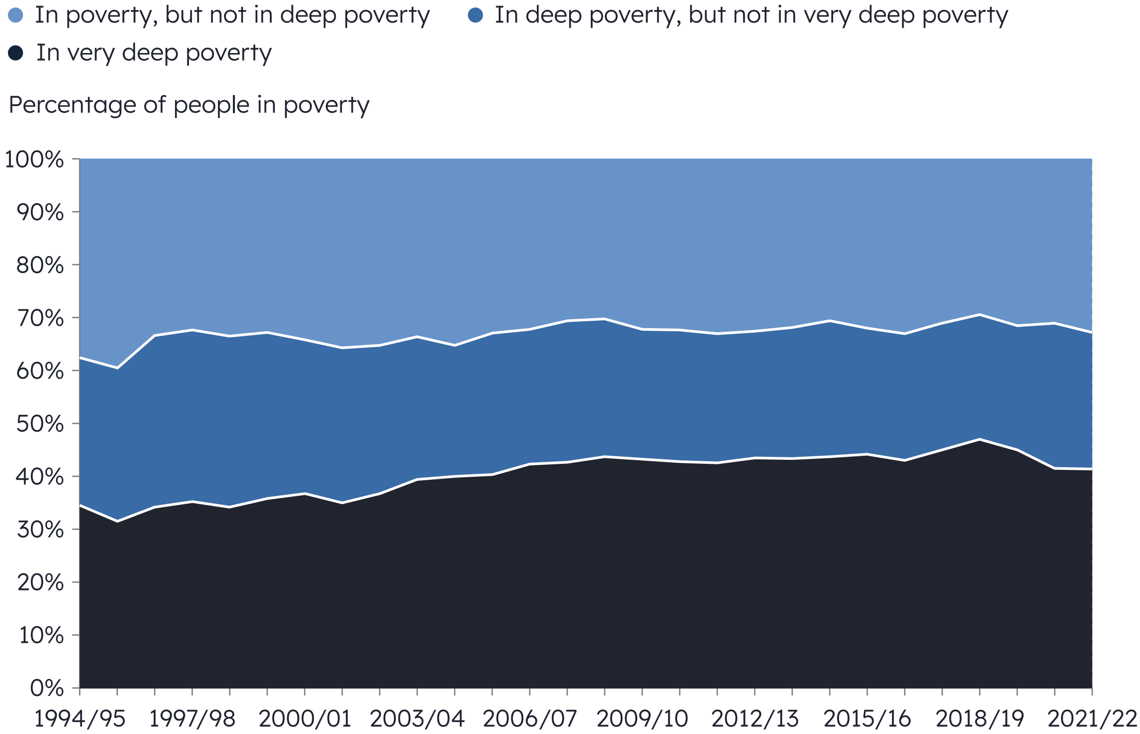
Deep and very deep poverty

Although the poverty rate in the UK was lower in 2021/22 than it had been in 1994/95 (22% compared with 24%), this was not the case for the deep poverty rate (15% in both years) or the very deep poverty rate (8% in 1994/95 and 9% in 2021/22). This means that a greater proportion of people living in poverty are now living in very deep poverty than had been at the start of this period.

After a fall in the proportion of people in deep and very deep poverty (as well as in poverty overall) between 2019/20 and 2020/21, these rates increased in the latest data, albeit not all the way to pre-pandemic levels. This increase is likely to be due, at least in part, to the withdrawal of the £20 increase to Universal Credit and Working Tax Credit that was in place until halfway through the latest survey year.

In 1994/95, someone in poverty was more likely to be in non-deep poverty (38%) than they were to be in very deep poverty (35%) or less deep poverty (28%).[2] However, this changed over the next 25 years; by 2018/19, almost half of people in poverty were in very deep poverty (47%). Although this proportion fell during the Covid-19 pandemic, people in poverty were still much more likely to be in very deep poverty (41%) than in non-deep poverty (33%) in the latest data.

Since 1994/95, the percentage of people in poverty who are in very deep poverty has increased, and now makes up the largest group of people in poverty



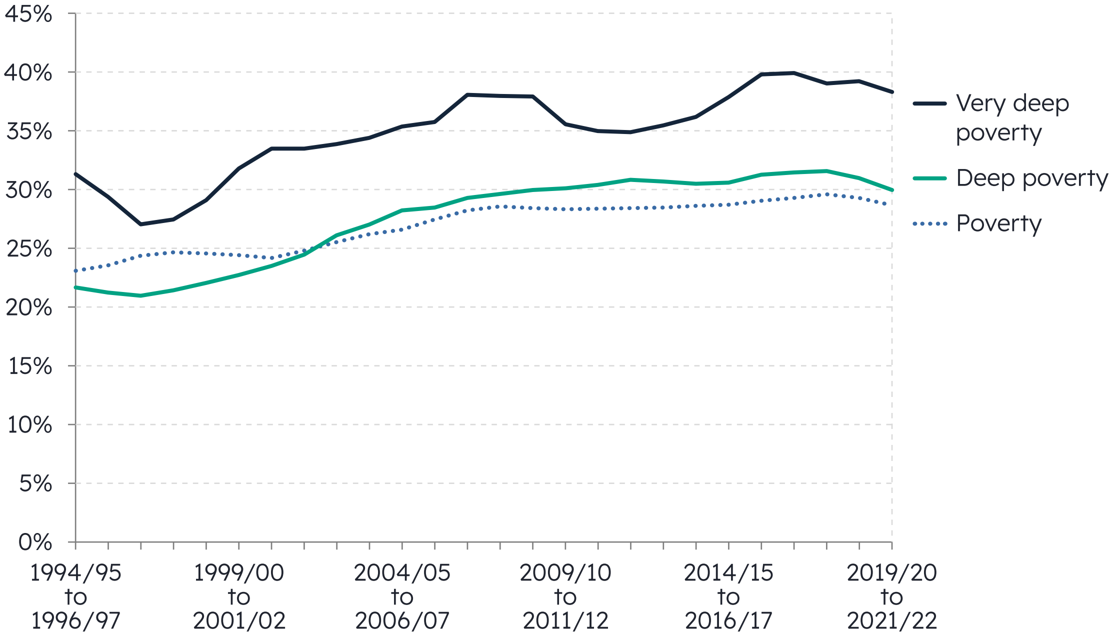
Source: Households Below Average Income, 2021/22, DWP

Note: The group in very deep poverty includes people whose equivalised household income after housing costs (AHC) is less than 40% of median AHC income. The group in deep poverty, but not very deep poverty, have an equivalised AHC household income less than 50% but more than 40% of median AHC income. The group in poverty, but not deep poverty, have an equivalised AHC household income less than 60% but more than 50% of median AHC income.

Over the same period, both the poverty gap and the deep poverty gap widened. The average annual poverty gap between 1994/95 and 1996/97 was 23%, rising to 29% in the latest data. The corresponding deep poverty gap rose from 22% to 30% over the same period. This means that people in poverty and those in deep poverty now fall further below the poverty and deep poverty lines than they did a quarter of a century ago. In fact, between 2019/20 and 2021/22, the average gap between the median income of people in poverty and the poverty line was equivalent to around £6,200 a year for a couple with two primary-school-aged children, up from £3,300 (adjusted for inflation) in 1994/95–1996/97. For deep poverty, this increased from £2,600 to £5,400 a year. The very deep poverty gap has been consistently higher, but is more volatile, potentially due to reporting issues with very low incomes in survey data. Nonetheless, the size of the increase of the very deep poverty gap (from £3,000 to £5,600) is unlikely due to reporting issues alone.

The poverty gap and the deep poverty gap have grown at similar rates since 1994/95–1996/97, but the very deep poverty gap has been consistently larger

Size of gap (three-year average)



Source: Households Below Average Income, 2021/22, DWP

Note: The poverty gap is the difference between the median equivalised income of people in poverty and the relevant poverty line, as a percentage of the poverty line in each year.

Furthermore, people in very deep poverty have fallen even further behind the overall poverty line over the past 25 years. Whereas between 1994/95 and 1996/97, a couple with two primary-school-aged children with the median household income for people in very deep poverty needed an increase in their annual income of £7,700 to move out of poverty completely, this had increased by two-thirds to £12,800 between 2019/20 and 2021/22.

Destitution

The number of people experiencing destitution increased by almost two-thirds (61%) between 2019 and 2022, while the number of children in destitution almost doubled (with an increase of 88%) over the same period. The sharp rise in destitution reflects, in particular, an increase in the number of people lacking basic necessities, especially food and heating. As the price of these essentials has soared, they have become unaffordable for more people on very low incomes.

However, destitution was already increasing before the Covid-19 pandemic and the cost-of-living crisis; between 2017 and 2019, the number of people experiencing destitution increased by 54%. This means that the overall number of people experiencing destitution was more than two-and-a-half times higher in 2022 than it had been in 2017, and the number of children experiencing destitution was almost three times higher.

Persistent poverty and very deep poverty

Persistent poverty and persistent very deep poverty have remained relatively stable since 2010/11 to 2013/14 (the earliest period for which the persistent poverty data is available). There has been a more notable, though still small, increase in the proportion of people who experience short-term very deep poverty (in one or two years out of four) over this period.

What are the future prospects?

Although the announcement that working-age benefits will be uprated in line with inflation in April 2024 is very welcome, the real value of benefits remains below its 2021/22 level and the freeze on Local Housing Allowance was only temporarily lifted in the 2023 Autumn Statement and will be reinstated in 2025/26, even if private rents continue to rise. Furthermore, the £20 uplift to Universal Credit and Working Tax Credit has been removed entirely. The lump-sum cost-of-living payments, which were introduced to help people at the height of the cost-of-living crisis, will also end in April 2024. Although these payments, along with the Government's energy support scheme, which has already ended, were not sufficient to protect many families from deep hardship, the end of this additional support will likely push more people into deeper poverty and destitution.

People on the lowest incomes have already been the hardest hit by the cost-of-living crisis. Record levels of inflation (which have been even higher for essential goods such as food) have made it even more difficult for many people in deep and very deep poverty to afford basic essentials for their families, and prices continue to rise. Without more support to help low-income families to cover these essential costs, we may see a growing number of people becoming destitute.

We are less likely to see levels of persistent poverty or persistent very deep poverty increasing in the short term. This is because immediate changes to people's economic situation have a more muted impact on the longer-term measure of persistent poverty, which is based on household income over the previous four years. However, if the real value of benefits falls further or housing costs continue to rise over multiple years, levels of persistent poverty and persistent very deep poverty will increase.

How does this section interact with other sections?

Experiences of deep and very deep poverty vary between different groups (including by ethnicity and disability) and as a result of other drivers of poverty, and longer and deeper experiences of poverty can lead to worse outcomes. Many of these differences are highlighted in relevant sections.

Family composition, age and sex

Why is this important?

Levels of poverty differ between different family types, people of different ages and people of different sexes. These dimensions also intersect, with important implications for policy.

In particular, families with more children have consistently faced a higher risk of poverty. A number of benefit policies have a disproportionate impact on larger families. This includes the two-child limit, which restricts eligibility for many child-related benefits to the first two children in a household, and the benefit cap, which limits the total income a household can receive in out-of-work benefits.

Families with children also face additional challenges if childcare responsibilities limit their ability to undertake well-paid, flexible and high-quality work, particularly in families with younger children and in lone-parent families. A gender perspective is key to understanding these patterns: most lone-parent families are headed by women, and women usually bear the bulk of childcare responsibilities even in couples with children.

But a gender perspective is often missing from debates about poverty, which are usually based on household income and include implicit assumptions about how incomes are shared within a household. Although the Family Resources Survey does not collect information on respondents' gender, it does record their sex. While this does not allow us to investigate fully the relationship between gender and poverty, it can be used to build a more complete picture of the links between sex and poverty.

Lifecycle factors are also at play. Over the course of their lifetime, an individual may go from being dependent on the income of their parents, to receiving most of their income from work (with potential periods of childcare, unemployment and other events taking them out of the workforce), often while supporting children of their own, to leaving the workforce and drawing a pension.

What's the headline story in the latest data?

In 2021/22, one in five working-age males and one in five working-age females were living in poverty (19% and 21% respectively). Poverty rates were lower for male and female pensioners (16% and 19% respectively). Levels of poverty among working-age adults are highest at the start and towards the end of their working life, with around one in four 16–24 year olds (24%) and working-age adults aged 60 or over (25%) in poverty.

Number of adults in poverty and adult poverty rates for different groups, UK, 2021/22

Group	Number in poverty	Poverty rate (%)
Working-age adults by sex		
Male	3,900,000	19
Female	4,300,000	21
Pension-age adults by sex		
Male	800,000	16
Female	1,200,000	19
Working-age adults by age		
16–24	1,200,000	24
25–29	700,000	17
30–34	800,000	17
35–39	800,000	19
40–44	900,000	22
45–49	900,000	21
50–54	800,000	18
55–59	900,000	19
60+	1,200,000	25
Pension-age adults by age		
65–69	400,000	15
70–74	600,000	17
75–79	500,000	20
80+	600,000	20

Source: Households Below Average Income, 2021/22, DWP

We saw in the first section on overall poverty rates that children have higher poverty rates than working-age adults and pensioners. We also know from other research that, among individuals who are in paid work before they start caring for children in the home, the poverty rate doubles after they have been providing care for five years (Thompson et al, 2023).

But levels of child poverty also vary between families, as shown in the table below. In 2021/22, the poverty rate for children in families with three or more children was almost twice as high as the poverty rate for children in one- or two-child families (43% compared with 23% and 22% respectively).

We also know from the first section that lone-parent families, which are predominantly headed by women, have the highest poverty rate of any family type. More than two in five children in lone-parent families (44%) were living in poverty in 2021/22, compared with 25% of children in couple families.

Poverty rates also vary depending on the age of children in the family. In 2021/22, three in ten children in families where the youngest child was aged under 5 (32%) or between 5 and 10 years old (30%) were in poverty. Meanwhile, around a quarter of children in families where the youngest child was aged 11–15 (25%) or 16–19 (24%) were living in poverty.[3]

Number of children in poverty and child poverty rates for different groups, UK, 2021/22

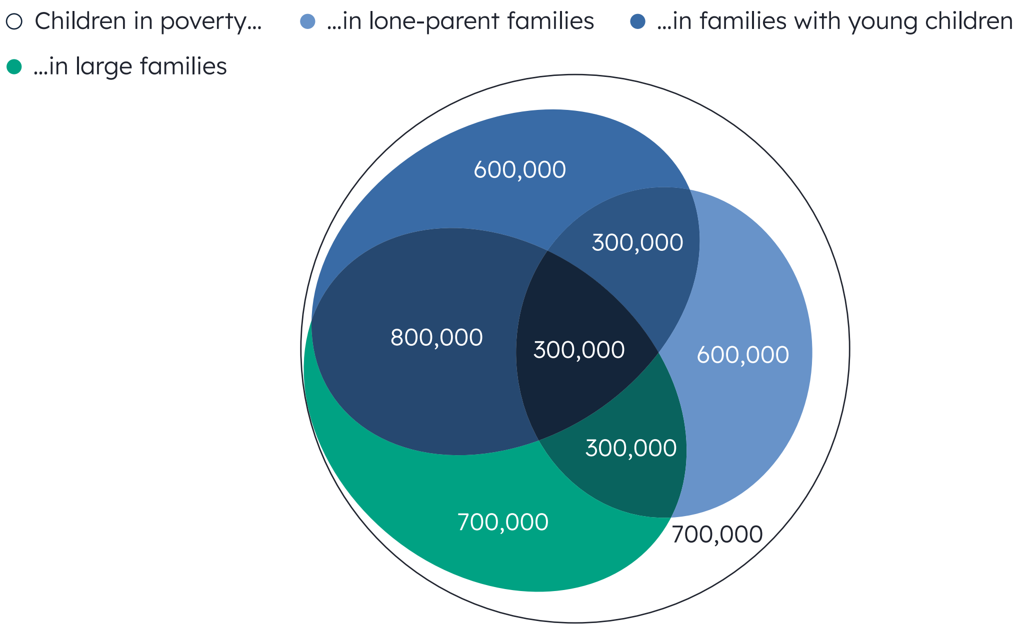
Group	Number in poverty	Poverty rate (%)
Number of children in family		
1	700,000	23
2	1,500,000	22
3+ ('large' families)	2,100,000	43
Family type		
Children in couple families	2,700,000	25
Children in lone-parent families	1,500,000	44
Age of youngest child in family		
0–4	1,900,000	32
5–10	1,500,000	30
11–15	700,000	25
16–19*	200,000	24
Age of child		
0–4	1,100,000	28
5–10	1,400,000	29
11–15	1,200,000	30
16–19*	500,000	32

Source: Households Below Average Income, 2021/22, DWP

Note: * A person is defined as a child if they are 16–19 years old and they are: not married nor in a civil partnership nor living with a partner; living with parents/a responsible adult; and in full-time non-advanced education or in unwaged government training.

Many of these categories of families intersect. Here we look at the overlap of children who live in families with different characteristics with elevated risks of poverty, namely large families (those with three or more children), families with young children (those with a child aged 0–4) and lone-parent families. A large majority of children in poverty (around eight in ten) fall into at least one of these groups. Around half of these, or around four in ten children in poverty, fall into more than one group, with the largest number of children in poverty living in large families with young children. Many of these families will have been affected by the two-child limit on benefits, which applies to families where a third or subsequent child was born after April 2017 (with limited exceptions). This means that most large families with young children will not receive Universal Credit or tax credits for more than two children.

Different family characteristics often overlap for families with children who are in poverty



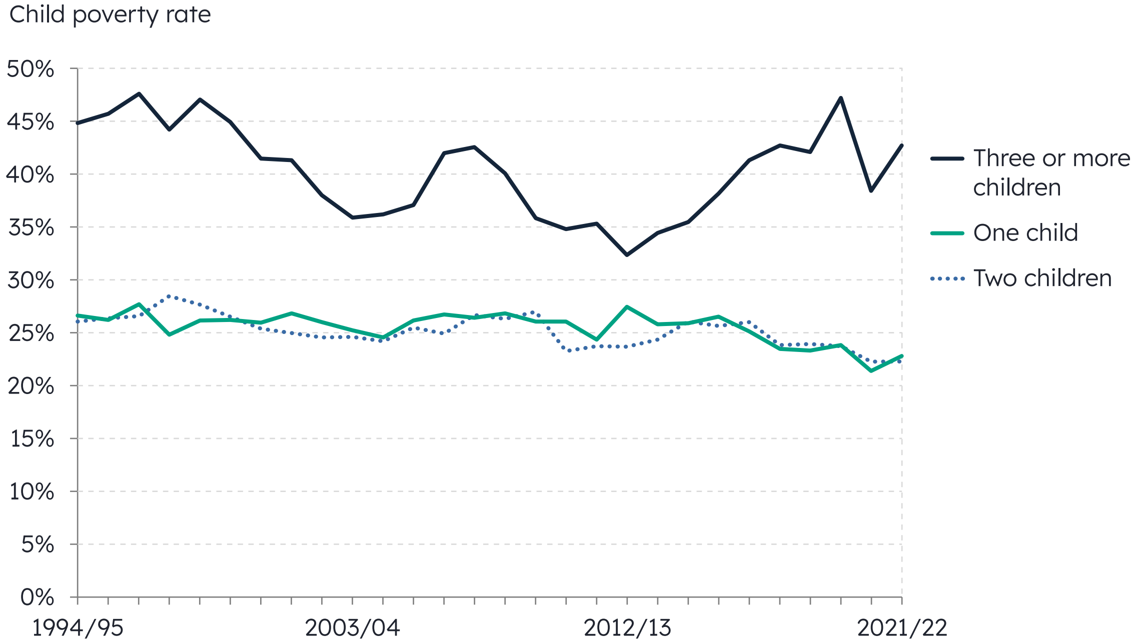
Source: Households Below Average Income, 2021/22, DWP

Note: Totals do not sum due to rounding.

How has this changed over time?

Children in families with three or more children have long faced a higher risk of poverty than children in families with fewer children. However, as shown in the chart below, this difference tended to narrow until 2013/14, after which it began to widen again. By contrast, child poverty has been relatively stable in families with fewer children. In 2020/21, the child poverty rate in families with three or more children fell by 9 percentage points, but around half of this fall was reversed in 2021/22, likely reflecting the removal of the £20 uplift to Universal Credit and Working Tax Credit halfway through the year.

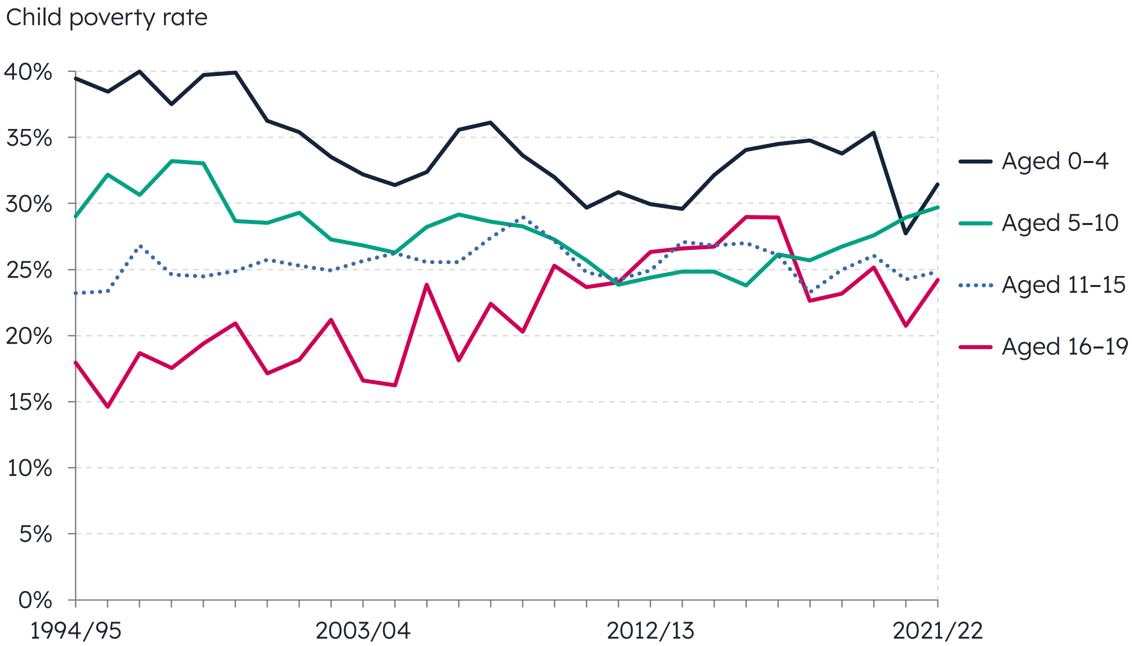
The child poverty rate in large families has been rising since 2013/14



Source: Households Below Average Income, 2021/22, DWP

Children in families with young children have also experienced an elevated poverty risk for decades. This difference was also narrowing until 2013/14, and, again, a large fall in the child poverty rate among this group in 2020/21 was largely reversed in 2021/22. The poverty rate among children in families where the youngest child is aged 5–10 has also been rising and is now very similar to that of children in families where the youngest child is aged 0–4.

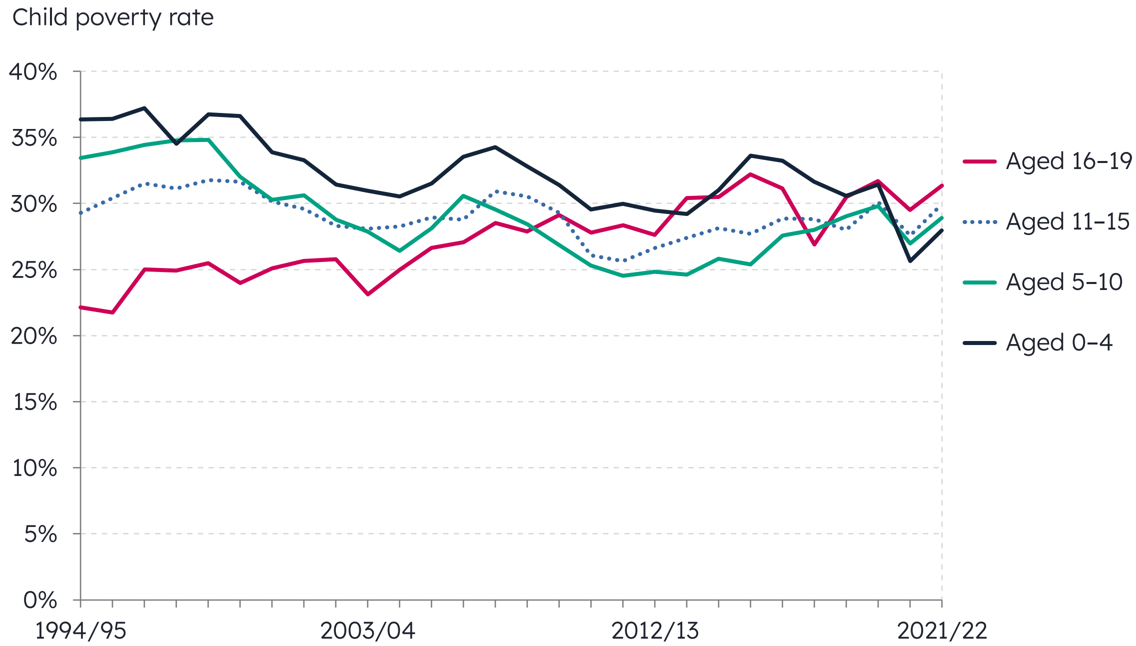
Children in families with young children have consistently had higher poverty rates



Source: Households Below Average Income, 2021/22, DWP

While children are at a higher risk of poverty if they are in families with younger children, the pattern is reversed if we look at the age of the individual child. Although differences are small, children aged 16–19 are at the highest risk of poverty, followed by children aged 11–15, children aged 5–10 and then children aged 0–4. Younger children have historically been at a higher risk of poverty, so this is a new pattern, which has been emerging over a long period but only became fully evident in 2020/21. Additional JRF analysis indicates that part of the explanation could lie in the interaction with the number of parents with whom the child is living, with an increasing proportion of older children and a decreasing proportion of younger children living in lone-parent families in poverty over time. However, it remains to be seen whether this pattern will persist beyond the period of the pandemic and associated policy measures.

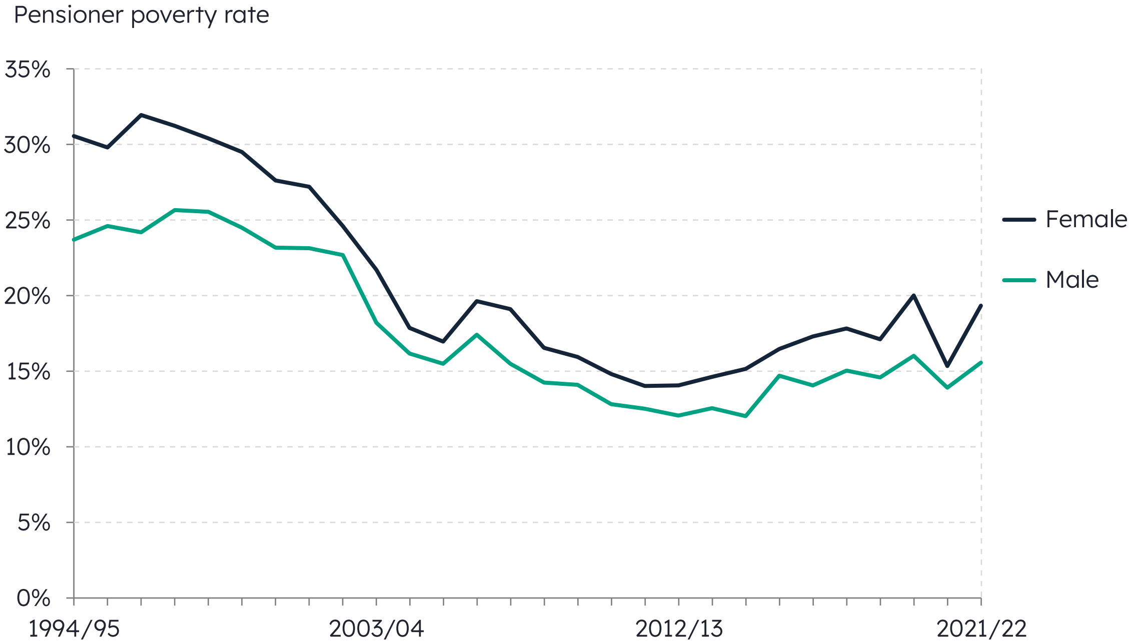
After a steady increase over the past 25 years, older children now face the highest risk of poverty



Source: Households Below Average Income, 2021/22, DWP

Another striking trend is pensioner poverty, which has been rising over the past 10 years, following nearly two decades of decline. Although pensioner poverty fell in 2020/21, particularly among female pensioners, which narrowed the historical gap with male pensioners, these reductions were almost completely reversed in 2021/22 when poverty rates for both groups rose back towards their 2019/20 levels.

Pensioner poverty has been on a broadly upward trend since around 2013/14, with female pensioners at a higher risk of poverty



Source: Households Below Average Income, 2021/22, DWP

Overall, the falls in poverty rates that we saw in 2020/21 were largely reversed in the latest data. This was particularly the case for children whose families are more likely to receive benefits and who are therefore more likely to have been affected by the withdrawal of the £20 uplift to Universal Credit and Working Tax Credit. This withdrawal is not yet fully reflected in the data as the change happened halfway through the 2021/22 financial year. We would therefore expect to see child poverty, particularly in larger and younger families, increase further. Similarly, the ongoing cost-of-living crisis is only covered partially in the latest data, and levels of hardship have only worsened since the start of it.

What are the future prospects?

The family types with the highest poverty rates – lone-parent families, large families and families with young children – are particularly reliant on the benefits system. Decisions around benefit uprating will therefore have a direct, significant and long-term impact on millions of these families, especially in a context of high inflation, so it is a huge relief that normal uprating will take place in April 2024.

Meanwhile, the two-child-limit policy, which withdraws means-tested support from third and subsequent children born since April 2017, continues to be rolled out. The latest data, for April 2023, shows that the proportion of families with three or more children that are affected by this policy has exceeded 50% for the first time (Department for Work and Pensions, 2023b). As the proportion of children who are born after April 2017 increases, more children and more families will be affected by the policy. This will directly affect the poverty rate in large families.

The recent expansion of means-tested childcare support, and the ability of parents to claim this support upfront rather than in arrears if they significantly increase their working hours, could help parents and their children exit poverty by accessing higher levels of paid work. However, the total cost that families can claim back is still capped at 85%, and the policy is being accompanied by an increase in work-related activity requirements. The quality and availability of childcare provision also matter, and some parents, particularly those with young children, may prefer to care for their children themselves. There are plans in many parts of the UK to extend funded childcare provision to younger children.

Prospects for pensioner poverty are mixed. There are some reasons for optimism: at a minimum, the 'triple lock' (whereby the State Pension is increased by the highest of three different values: the growth in average earnings, inflation or 2.5%) makes sure the value of the State Pension keeps up with prices; pensioner incomes are less affected by changes in the labour market; and more new pensioners will have some private pension provision because of the introduction of auto-enrolment into pension schemes. On the other hand, the shift from defined benefits to defined contribution pension schemes will result in more risk and volatility in occupational pensions in retirement, while lower homeownership will mean more pension-age people need to cover the costs of private rental accommodation over the coming years. The rising levels of inactivity among people in their 50s and 60s since the Covid-19 pandemic are also concerning, with people often underestimating their life expectancy after retirement and how long a period their retirement income needs to cover.

How does this section interact with other sections?

The main interactions of these factors are with the labour market and the benefits system. Certain family types, particularly those with young children or multiple children and those with only one parent, find it harder to work full time – particularly given the cost and availability of childcare. Housing costs may also vary over someone's lifetime. Families with children often have higher housing costs and tend to be more reliant on income from benefits.

Ethnicity and poverty

Why is this important?

There are large differences in the poverty rates between different ethnic groups in the UK, including between and within groups that are often considered to have similar experiences. Direct racism (through the decisions and actions of individuals and organisations) as well as social norms, policies and wider structures (like the labour and housing markets) contribute to inequitable outcomes and poverty. It is essential to highlight and understand these differences to solve poverty in the UK.

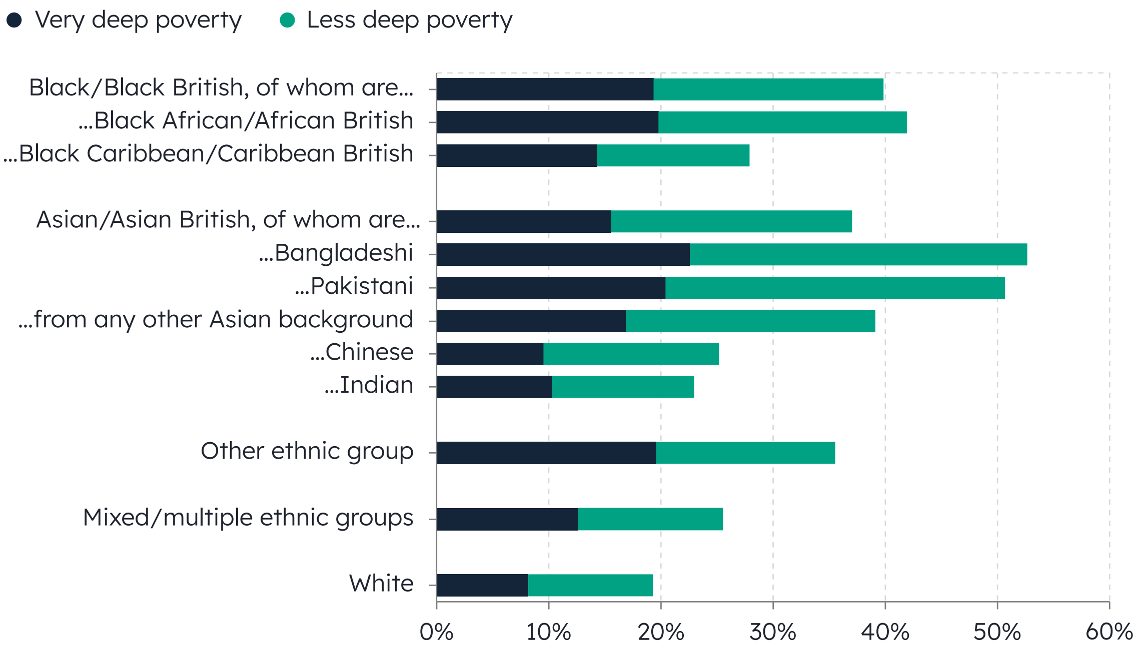
What's the headline story in the latest data?

Poverty and very deep poverty

In the latest data, poverty rates were higher among many minority ethnic groups than they were for white people in the UK. In particular, half of people in Pakistani (51%) and Bangladeshi (53%) households lived in poverty.[4] This made them more than two-and-a-half times as likely as people in white households (19%) to be in poverty. People in households headed by someone from an Asian background other than Indian, Pakistani, Bangladeshi or Chinese, or by someone from Black African backgrounds, were twice as likely as those in white households to be in poverty in the UK (39% and 42% respectively versus 19%), while people in households headed by someone from Black Caribbean backgrounds were 50% more likely to experience poverty than those in white households (28% versus 19%).[5]

Around one in five people from Pakistani-headed households (20%) and almost one in four people from Bangladeshi-headed households (23%) were in very deep poverty (with an equivalised household income after housing costs that is less than 40% of the UK median). People in households headed by someone from Black African backgrounds or from 'other ethnic groups' (which includes individuals who identified as Arab or none of the specified ethnic groups in the survey) experienced similar levels of very deep poverty (20%), even though they were less likely than people in Pakistani and Bangladeshi households to experience poverty. They were all more than twice as likely as people in white households to live in very deep poverty (8% of white households lived in very deep poverty).

People in Pakistani and Bangladeshi households are by far the most likely to be in poverty, although people from Pakistani, Bangladeshi, Black African or 'any other ethnicity' households experience similar very deep poverty rates



Source: Households Below Average Income, 2021/22, DWP

Note: Three-year averages are used due to small sample sizes in annual datasets. In line with the Department for Work and Pensions' approach, single-year estimates for 2020/21 are excluded due to data-quality issues so these three-year averages are based on 2019/20 and 2021/22 data only.

Child poverty and very deep poverty

Poverty rates were even higher for children in Pakistani and Bangladeshi households, six in ten of whom lived in poverty (61% and 62% respectively), while around half of children in households headed by someone from Black African backgrounds (53%) and from Asian backgrounds other than Indian, Pakistani, Bangladeshi or Chinese (50%) were in poverty. They were therefore all twice as likely as children in white households to be in poverty (the figure for the latter was 25%). Children in Black Caribbean households also faced an elevated risk of living in poverty (45%).

Very deep poverty rates were also even higher among children. Three in ten children in Bangladeshi households (30%) lived in very deep poverty, meaning around half of children in Bangladeshi households who were living in poverty were in very deep poverty and so faced particularly deep hardship. Nearly a quarter of children in Pakistani households (24%) and Black African households (24%) and more than a fifth from Asian backgrounds other than Indian, Pakistani, Bangladeshi or Chinese (21%) and ‘other ethnic groups’ (23%) were also in very deep poverty. This is compared with 9% of children in white households.

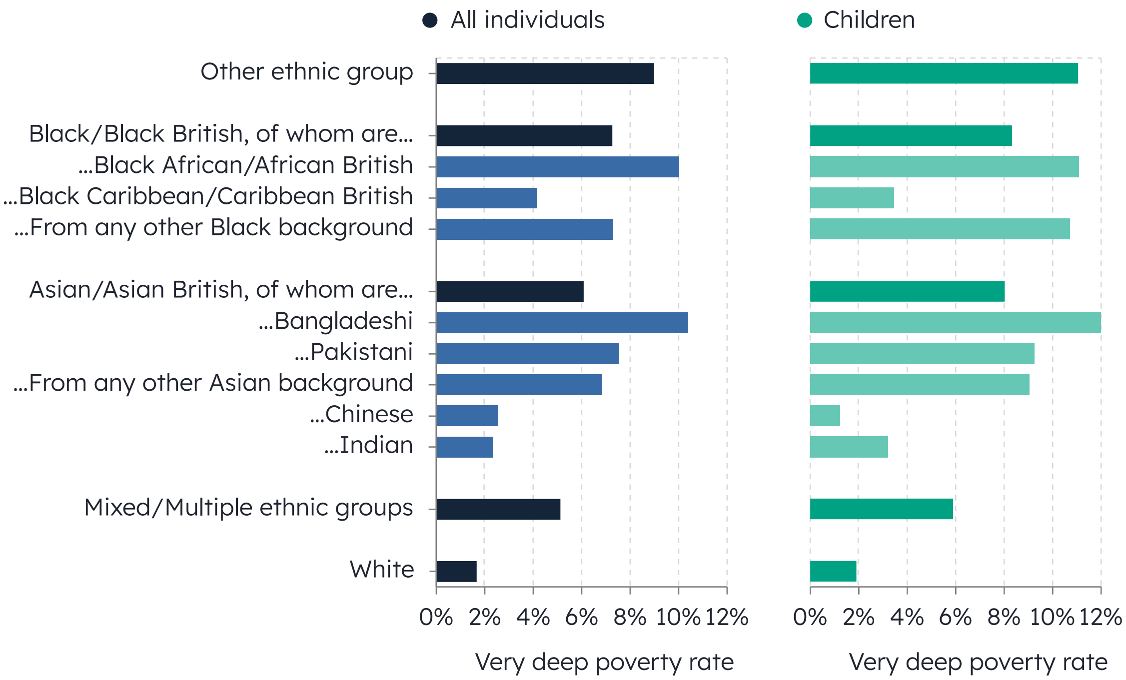
As typical family types tend to vary between different ethnic groups, a higher average family size for some minority ethnic groups increases their risk of poverty. However, even among large families (those with three or more children), poverty rates tend to be lower in white families than in families from minority ethnic groups: while 35% of people in white households with three or more children lived in poverty, this rose to 64% in Black households and 67% in Asian households (broader categories are used for this analysis due to the smaller sample size of large families in the data).

Persistent very deep poverty

People from Bangladeshi and Pakistani ethnic groups are not only more likely to experience very deep poverty, but they are also more likely to remain in very deep poverty for a prolonged period of time. Between 2011 and 2021, people in Bangladeshi and Black African households (both 10%) were five times more likely than people in white households (2%) to live in persistent very deep poverty (that is, to live in very deep poverty for at least three years out of four). Those in households headed by someone from Asian backgrounds other than Indian, Pakistani, Bangladeshi or Chinese (7%), Pakistani backgrounds (8%) or ‘other ethnic groups’ (9%) also faced higher levels of persistent very deep poverty.

Again, persistent very deep poverty rates were even higher among children. More than one in ten children in Bangladeshi (12%) or Black African (11%) households and those from 'any other Black backgrounds' (11%) or 'other ethnic groups' (11%) experienced persistent very deep poverty. They were all, therefore, more than five times more likely to experience persistent very deep poverty than children in white households, 2% of whom experienced this.

People in Bangladeshi and Black African households, along with those from 'other ethnic groups', are the most likely to live in very deep poverty for a prolonged period of time



Source: JRF analysis of Understanding Society, 2021–22 (Institute for Social and Economic Research, 2023)

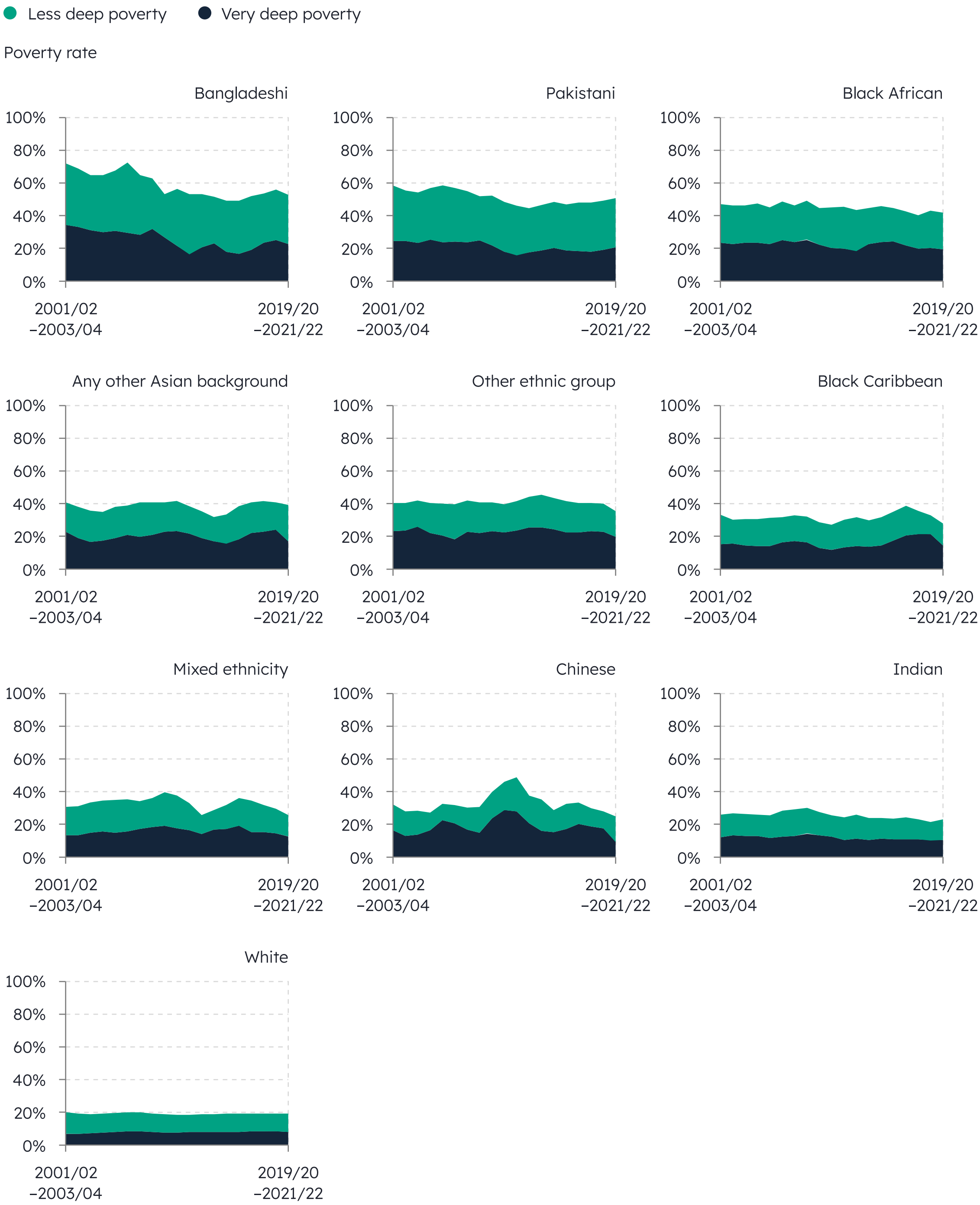
Since the latest poverty data was collected, the cost-of-living crisis has hit many people from minority ethnic backgrounds hard. Between February and May 2023, around half of adults from Asian (53%) and Black (47%) ethnic backgrounds said they were finding it difficult to afford their rent or mortgage payments, compared with a third of white adults (33%). During the same period, adults from Black ethnic groups (13%) and from mixed or multiple ethnic groups (14%) were more than twice as likely as adults from white (5%) or Asian (6%) ethnic groups to have run out of food and not been able to buy more. At the same time, only a fifth of Black adults found it easy to afford their energy payments (compared with almost half of white adults) (Office for National Statistics, 2023b).

How has this changed over time?

Even though they remain the most likely to experience poverty today, poverty rates for people in Bangladeshi and Pakistani households have fallen over the last quarter-century. Twenty years ago, the majority of people in households headed by someone with a Pakistani (58%) or Bangladeshi (72%) background were living in poverty. The poverty rate for both groups is closer to a half today. In contrast, the poverty rate for people in households headed by someone from a white ethnic background has remained relatively stable – and much lower – with around one in five people from that group living in poverty across this period. Poverty rates among Black African-headed households have also changed little, but they have consistently been twice as high (around 40%) as poverty rates among white households (around 20%), with poverty rates among households headed by someone of Black Caribbean ethnicity only slightly lower.

Levels of very deep poverty have generally followed the same pattern as levels of poverty over this period. For example, among people living in poverty, around four in ten people in Bangladeshi households, around five in ten people in Black African households and more than half (55%) of people in 'any other ethnicity' households were in very deep poverty across this period. However, people in white households in poverty were more likely to be in very deep poverty in 2019/20–2021/22 (42%) than they had been in 2001/02–2003/04 (35%). This was also the case for people in poverty in households of mixed ethnicity (44% in 2001/02–2003/04 compared with 49% in 2019/20–2021/22) and from Black Caribbean backgrounds (46% in 2001/02–2003/04 compared with 51% in 2019/20–2021/22).

Poverty and very deep poverty rates have fallen for Bangladeshi and Pakistani households over the past two decades, so they are now similar to those for Black African households but still much higher than those for white households



Source: Households Below Average Income, 2021/22, DWP

What are the future prospects?

Around three in ten people in families from Bangladeshi (28%) and Black (30%) ethnic groups receive income-related state support (compared with 18% of white families) (Department for Work and Pensions, 2023d). Bangladeshi families are also the most likely to receive Child Tax Credits (16%) and Working Tax Credits (11%). Therefore, the value of benefits – and the need for uprating them in line with inflation – is particularly important for these groups. The Government's decision to uprate all working-age benefits in line with inflation in April 2024 is therefore welcome. However, as the real value of benefits has been at historic lows and the basic rate of Universal Credit does not cover even essential goods and services, many minority ethnic families will continue to struggle as prices continue to rise.

Many people from minority ethnic backgrounds have been left in an even more precarious position because of the cost-of-living crisis. Black adults face a particularly high level of financial vulnerability. In spring 2023, only a quarter of Black adults said their household could afford an unexpected expense of £850 (compared with six in ten white adults) or that they think they will be able to save money over the next 12 months (compared with four in ten white adults) (Office for National Statistics, 2023b). They are therefore likely to be less financially resilient and may find it harder to cope with any future financial challenges.

How does this section interact with other sections?

Minority ethnic families are disproportionately affected by changes to the benefits system. They are also more likely to be unemployed or working in low-pay, temporary or insecure work, so labour market trends are critical. Having larger families and being more likely to live in urban centres such as London also lead to higher housing costs and a greater risk of overcrowding for many minority ethnic families, so housing is also an important area.

It is also crucial to consider the ways in which intersecting inequalities increase people's risk of experiencing poverty. Age, gender, family composition, disability and geographic inequalities are all key drivers of poverty themselves, but it is also important to consider how they interact with ethnicity to lead to greater inequalities.

Geography and poverty

Why is this important?

Across the nations, regions and local areas of the UK, differences in employment opportunities, levels of wages, the adequacy of benefits and housing costs are important determinants of poverty rates. While, ultimately, Westminster maintains control over many policy and fiscal decisions, the devolution of powers to the Governments in Edinburgh, Cardiff and Belfast, and to mayoralties in London and across England, as well as the ongoing role of local authorities, present politicians and political leaders at national and local levels with policy levers with which they can seek to address poverty.

It is important to understand the way in which drivers of poverty interact to produce different rates of poverty at national, regional and local levels, and to monitor rates of poverty over time to ascertain the progress of the UK Governments and political leaders in solving poverty across the UK.

What's the headline story in the latest data?

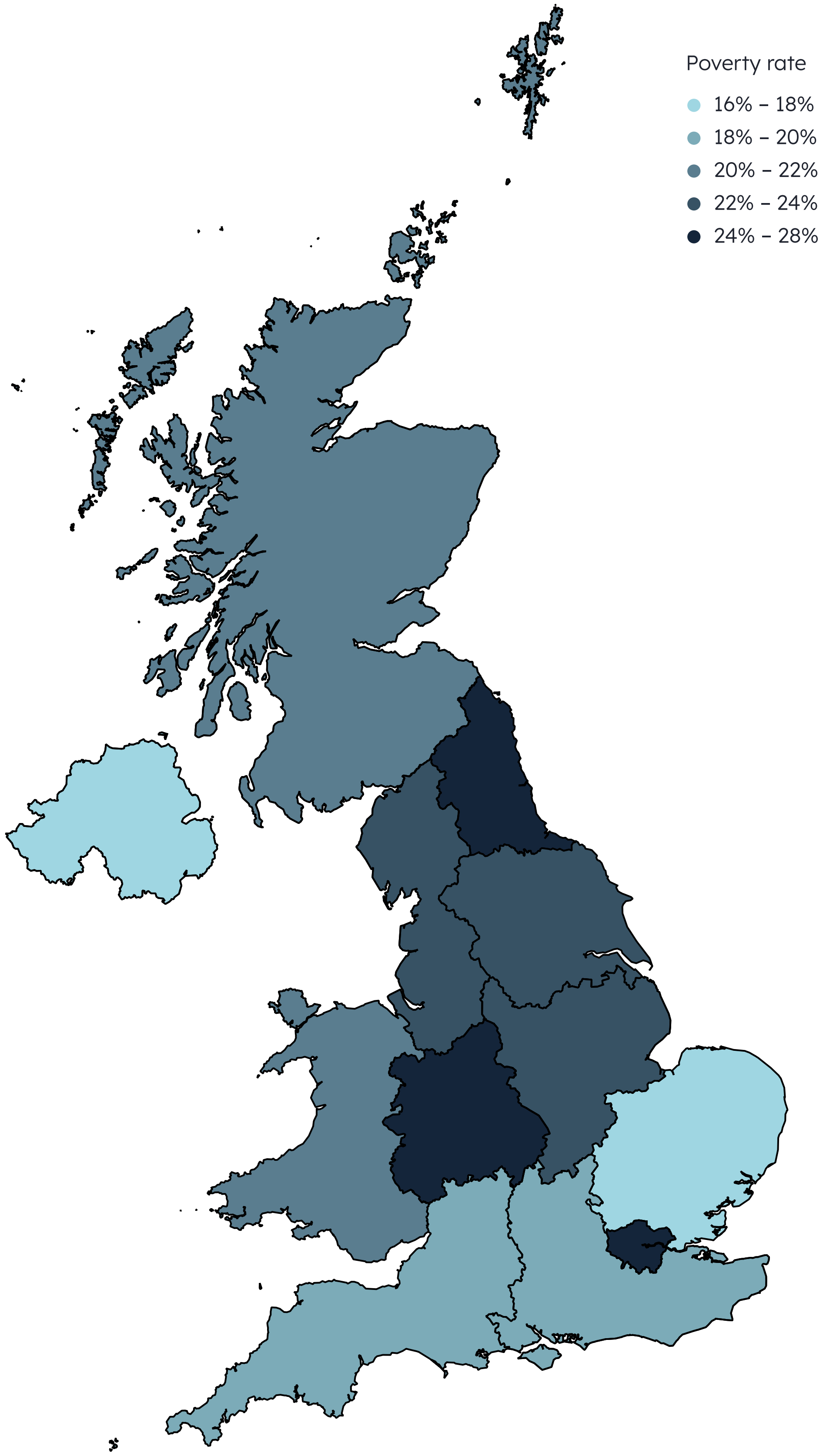
This section sets out the poverty rates and key drivers of poverty across the nations and regions of, and local authorities in, the UK. Poverty rates by nation and region are calculated using three-year averages; however, due to data-quality concerns for the first year of the Covid-19 pandemic – financial year 2020/21 – the average has been calculated excluding data from this year. Therefore the poverty rates for 2019–22 (and 2018–21) are based on two-year averages and carry a greater level of uncertainty.

Average number of people in poverty and poverty rates by UK nation/region, 2019–22

Nation/region	Number in poverty	Poverty rate (%)
North East	700,000	25
North West	1,600,000	23
Yorkshire and the Humber	1,300,000	23
East Midlands	1,100,000	23
West Midlands	1,600,000	27
East	1,100,000	18
London	2,200,000	25
South East	1,700,000	19
South West	1,100,000	19
England	12,300,000	22
Wales	700,000	22
Scotland	1,100,000	21
Northern Ireland	300,000	16
UK	14,400,000	22

Source: Households Below Average Income, 2021/22, DWP

UK poverty rates by nation and region



Source: Households Below Average Income, 2019/20 and 2021/22, DWP

In the latest data, the average poverty rates in England (22%), Wales (22%) and Scotland (21%) had converged to around the same level, although poverty rates were much lower in Northern Ireland at 16%. When we dig beneath these headline rates for the UK nations, there is substantial variation in poverty rates across the regions in England and in child poverty rates between local authorities across the UK.

The variation in poverty rates across the UK is driven by the interactions between the labour market (levels of employment, sectors worked in and rates of pay), the housing market (mix of tenures and housing costs) and rates of benefit receipt, alongside wider demographic factors (age, family types and sizes). The main drivers of poverty vary across different geographies – a greater reliance on renting and higher costs of housing are a substantial driver in larger cities in particular, while lower rates of employment, with fewer employment opportunities alongside a greater concentration of employment in lower-paid roles and sectors, are more significant drivers of poverty across many post-industrial and coastal areas.

Research carried out by Loughborough University on behalf of End Child Poverty (2023) provides further insight into the geography of poverty by estimating the proportion of children who are in poverty after housing costs by local authority. Below we include some commentary based on this analysis of child poverty rates at local authority level.

In **Scotland**, one in five people (21%) were in poverty between 2019/20 and 2021/22. This was an increase after a relatively stable trend over the previous decade of poverty rates between 18% and 19%. Previous editions of this UK Poverty report identified tenure mix and housing costs as important factors keeping the poverty rate lower in Scotland, with fewer households renting generally and a larger share of renters in the more affordable social rented sector than across the rest of the UK. In the latest data (covering 2019/20 to 2021/22), the uptick in the poverty rate in Scotland was driven by a fall in the rate of employment and a corresponding increase in the rate of 'economic inactivity' (rather than an increase in the rate of unemployment). Specifically, there was an increase in the numbers of working-age adults saying they were retired or had long-term ill-health as their main reason for not being in or looking for work.

Child poverty rates in Scotland (24%) remained much lower than in England (29%) and Wales (28%), although they were similar to (if slightly higher than) that in Northern Ireland (22%). This is likely to be due, at least in part, to the Scottish Child Payment. This highlights the effect benefits can have in reducing poverty.

However, many areas of Scotland still have high levels of child poverty. In the latest data, Glasgow had the highest rate of child poverty in Scotland, with one in three children in poverty (32%), followed by North Ayrshire (29%) and Clackmannanshire and West Dunbartonshire (28%); this compares to a UK average child poverty rate of 29%. The lowest rates of child poverty in Scotland were in East Renfrewshire (14%), East Dunbartonshire (15%), Shetland Islands (15%) and Aberdeenshire (16%). The areas with higher child poverty rates typically had lower rates of employment among working-age adults (66% in North Ayrshire and 70% in Glasgow versus 75% in Edinburgh) and a greater share of families living in rented accommodation (48% of homes in West Dunbartonshire were rented compared with 19% in East Dunbartonshire) – both risk factors for higher poverty rates.

In **Wales**, the latest poverty rate was 22%. This was slightly lower than the average of 23–24% over the previous decade. This lower rate of poverty occurred despite a fall in the rate of employment and a corresponding increase in the rate of economic inactivity seen in the data, largely due to increased numbers of those who are long-term sick or disabled. However, in Wales, the data for the most recent year shows a larger share of in-work adults working in higher-paid managerial and 'professional' roles, a higher share of households as outright homeowners and a higher share of people in couples without children – all groups at a lower risk of poverty.

In the latest data, the local authorities in Wales with the highest child poverty rates were Blaenau Gwent (30%), Ceredigion (30%), Merthyr Tydfil (29%) and Cardiff (28%). These were all around the UK average of 29%. Child poverty rates in Wales were lowest in Monmouthshire (21%), Vale of Glamorgan (22%) and Flintshire (25%). Across the UK nations and regions, Wales had close to the smallest range of child poverty rates between local authorities, second only to Northern Ireland.

Northern Ireland had the lowest poverty rate of any UK nation or region at 16%, the lowest poverty rate ever reported for any nation or region in the Households Below Average Income data series since 1994–97 (although Northern Ireland was only included from 2002/03). Previous editions of this UK Poverty report have identified tenure mix as a protective factor against poverty after housing costs. In Northern Ireland, there are more outright homeowners, fewer renters and substantially lower housing costs for low-income households than across the rest of the UK. While the labour market profile of Northern Ireland has typically been more reflective of areas of the UK with higher poverty rates (that is, higher rates of economic inactivity, greater concentrations of workers in lower-paid industries and lower average earnings), the latest year's data shows a jump in the employment rate, a fall in the number of households where no adults are in work and an increase in the share of workers who work in managerial or 'professional' roles.

Within Northern Ireland, Belfast, Newry, Mourne and Down (24%) and Derry City and Strabane (23%) had the highest rates of child poverty, while Lisburn and Castlereagh (16%), Ards and North Down (18%) and Antrim and Newtownabbey had the lowest rates (19%). The areas with the lowest rates of poverty had the highest proportions of people living in owner-occupied accommodation (at or above 75%), whereas in Belfast and in Derry City and Strabane, 47% and 38% respectively lived in rented accommodation. Catholic people in Northern Ireland also had a much higher rate of poverty than Protestant people, at 19% compared with 15% (Northern Ireland Statistics and Research Agency, 2023b); this is reflected in the geography of poverty in Northern Ireland where areas including Derry City and Newry have larger Catholic populations, while Lisburn and North Down, for example, have larger Protestant populations.

In **England**, the poverty rate was 22%. However, the regional breakdown shows a clear divide between the south of England on the one hand and the Midlands and the north of England on the other, although London stands out in the south of England as having a high poverty rate.

In the latest data, the **West Midlands** had the highest rate of poverty at 27%, followed by the **North East** and **London** (both 25%), and **Yorkshire and the Humber**, the **East Midlands** and the **North West** (all 23%). In the West Midlands and North East, around one in four working-age adults were not in work or studying, compared with fewer than one in five in the regions with the lowest rates of poverty (the South West, South East and East of England). Across England, the North East and West Midlands had the highest share of people living in households where nobody was in work (30% and 27% respectively), compared with 21% in the South East and 22% in the East of England. Moreover, workers in the North East, West Midlands and Yorkshire and the Humber were more likely to be working in 'routine occupations', which tend to be lower-paid roles. These regions also had higher-than-average proportions living in rented accommodation than in the regions with lower rates of poverty. They also had higher-than-average proportions of people in families in receipt of Universal Credit or equivalent legacy benefits – 25% in the North East and 23% in the West Midlands, North West and Yorkshire and the Humber, compared with 13% in the South East, 14% in the East and 16% in the South West.

There is substantial variation in child poverty rates across local authorities in these regions. In the latest years' data, among the local authorities with the highest child poverty rates in England were Birmingham (46%), Sandwell (45%), Stoke-on-Trent (44%), Walsall and Wolverhampton (both 43%) in the West Midlands, and Manchester (45%), Oldham (44%), Pendle (43%) and Blackburn with Darwen, Bolton and Hyndburn (all at 42%) in the North West. In Yorkshire and the Humber, Bradford (39%), Hull (35%) and Kirklees (34%) also had high rates of child poverty, while in the North East, Middlesbrough (41%) and Newcastle (38%) had the highest child poverty rates. Every local authority in the North East had a child poverty rate higher than the UK average.

Many of the places in the north of England and the Midlands with higher rates of child poverty are older industrial towns where, historically, many workers would have been employed in manufacturing industries and mining. Today, their labour markets (rates of employment, levels of pay and the sectors in which jobs are available) are generally weaker compared with elsewhere in England, which remains an important factor underpinning higher rates of poverty.

London has long had the highest rate of poverty of the UK nations and regions due to high housing costs, at between 27% and 28% for most of the past decade. However, in the latest years' data this fell slightly to 25%. The data for 2019/20–2021/22 shows an increase in the numbers of working-age adults in full-time employment and working in higher-paid managerial and 'professional' roles. It also shows an increase in the number of people in households where all adults are in work.

There was substantial variation in child poverty rates within London, with just under half of children in Tower Hamlets in poverty (48%), and more than four in ten children in Newham (44%), Hackney (43%) and Barking and Dagenham (42%) in poverty. At the other end of the scale in London were Richmond upon Thames (12%), Kingston upon Thames (19%), Bromley (20%) and Sutton (22%). Of all UK nations and regions, London had the greatest degree of within-region variation in child poverty rates, with a 35 percentage point difference in child poverty rates between Tower Hamlets and Richmond, reflecting a striking inequality in levels of household income across the capital. Tenure mix and housing costs, rates of employment and earnings and demographic factors such as family composition and size all play important roles in these varying rates of poverty.

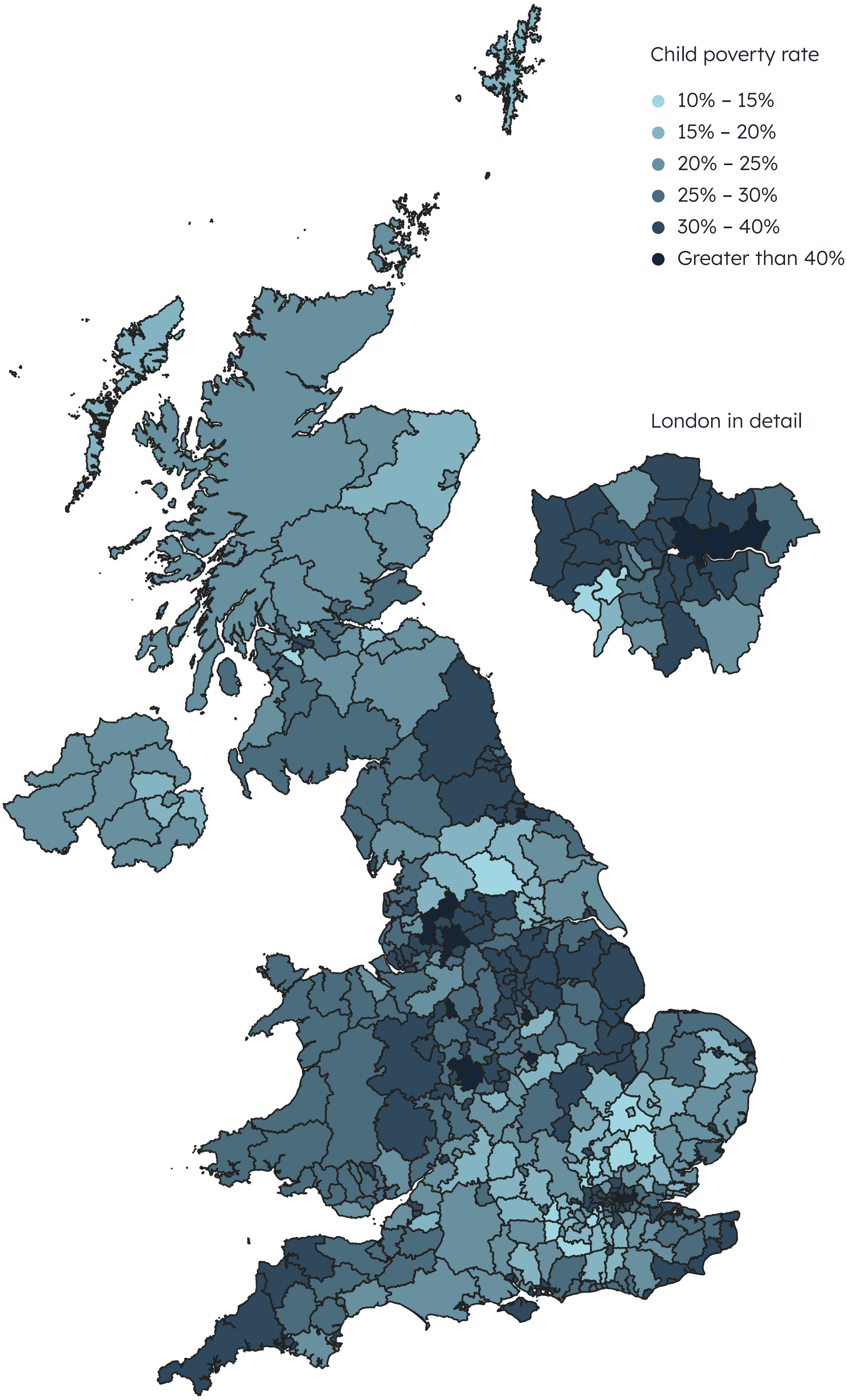
As described in the ethnicity and poverty section, people from some minority ethnic groups in the UK also had a disproportionately high risk of poverty, and this interacts with the geography of poverty. London is by far the most ethnically diverse region of the UK, where 40% of people are Black, Asian or minority ethnic, followed by the West Midlands at 19% and Yorkshire and The Humber at 14%. However, this aggregation to the regional level masks that many cities and some larger towns across the UK are much more ethnically diverse than towns and rural areas in particular. In Leicester, Luton and Birmingham, more than half of people are Black, Asian or minority ethnic (59%, 55% and 51% respectively), as are a large proportion of the populations in Manchester (43%), Wolverhampton (40%) and Bradford (39%) (Office for National Statistics, 2022c).

Minority ethnic households are more likely to live in rented accommodation, are disproportionately likely to be single-earner households and, among those in work, are more likely to work in lower-paid occupations and have a lower wage. They are also more likely to be younger, have children and have larger families. All of these characteristics increase the risk of poverty for these groups, and are reflected in the higher rates of poverty in places like Birmingham, Luton and Bradford.

Poverty rates in Great Britain were lowest in the **East** (18%), **South East** and **South West** (both 19%) of England. Generally, this reflects the stronger labour markets in these areas, with higher rates of employment, greater proportions of workers working in higher-paid jobs and sectors, and a lower proportion of people in households where nobody is in work. These regions also have higher rates of homeownership and, related to this, the population skews older, with a greater share of their population being pensioners, and pension-age adults have a lower risk of poverty.

There was substantial variation in child poverty rates within these regions. There were notably higher rates of child poverty in coastal areas in particular, including Thanet (36%), Southampton (36%), Portsmouth (35%), Hastings (35%) and Great Yarmouth (31%). Coastal cities and towns in these areas have weaker labour markets, with higher rates of lower-paid and often seasonal work, and high proportions of people in workless households. Rates of child poverty were also higher than average in some of the cities and larger towns in the south and East of England, including Luton (39%), Slough (35%), Norwich (34%) and Bristol (33%). In these areas the tenure mix and higher housing costs tend to be important drivers of poverty. Slough and Luton are among the most ethnically diverse local authorities in the UK, with large Pakistani and Bangladeshi (in Luton) populations, and with more single-earner households, families with children and large families, which also increase their risk of poverty.

Child poverty rate estimates by local authority



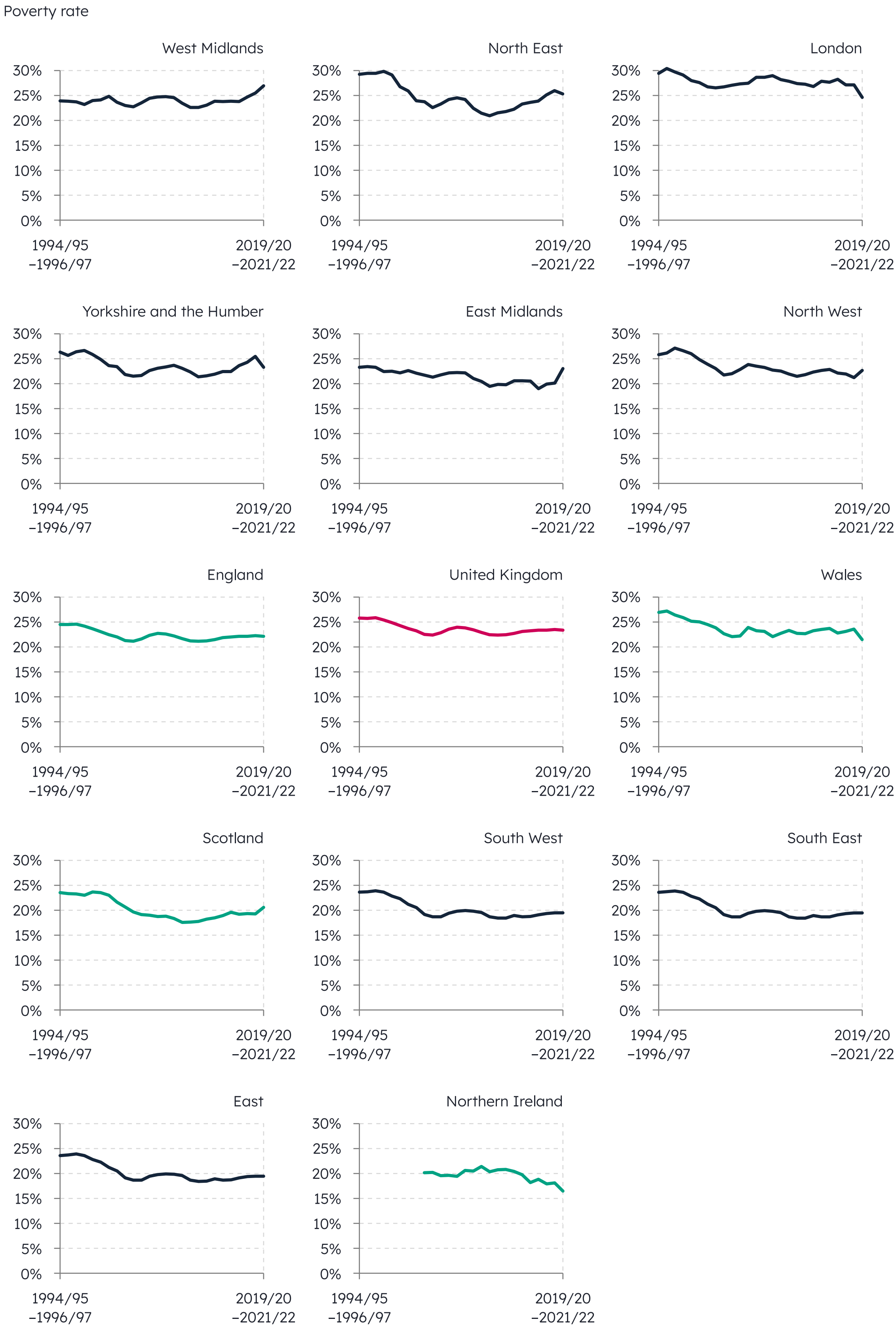
Source: Child poverty rate estimates, after housing costs, from Loughborough University, 2021/22

How have poverty rates by region changed over time?

Poverty rates across most nations and regions of the UK were lower in 2019/20–2021/22 than they had been 25 years earlier. However, over the past two decades, poverty rates across most of the UK have been stubbornly stagnant rather than falling. Where poverty rates have decreased, this is predominantly due to falling levels of pensioner poverty (although in recent years the poverty rate among this group has been climbing again), alongside increasing rates of employment among working-age adults (although the rate of in-work poverty itself has been increasing).

In the above subsection we outlined changes in labour markets and housing that have driven changes in poverty rates across different regions in recent years. In the West Midlands, East Midlands and North West, where the poverty rate has increased in recent years, this is partly driven by a fall in the share of working-age adults in employment and an increase in the share of people in households where one or more adults are not in work. In London and Northern Ireland the converse is true, underpinning a falling poverty rate in both areas.

UK poverty rates over time by nations and regions



Source: Households Below Average Income, 2021/22, DWP

What are the future prospects?

After March 2022, the end of the period covered by the latest poverty data, inflation rates peaked at a 40-year high of over 10% towards the end of 2022. Inflation has been falling since then, although it remains much higher than the Bank of England's target. This means that prices are still growing at a much faster rate than they have been for much of the past few decades, but not as fast as they were at the end of 2022. Data published by the Office for National Statistics in July 2023 shows that more than nine in ten people across Britain have noticed that their cost of living has increased over the past year, with the vast majority citing both the cost of their food shopping and gas or electricity bills increasing in particular (Office for National Statistics, 2023b).

A greater share of people in the north of England, the Midlands and Wales reported experiencing the impacts of the cost-of-living crisis, including:

- having to spend less on food shopping and essentials
- shopping around more
- using less electricity and gas
- using charities for support
- falling behind on bills
- saving less.

However, right across Britain, a huge proportion of people reported experiencing the impacts of the cost-of-living crisis. The scale of the increase in the numbers reporting, for example, spending less on food shopping and essentials and cutting back on electricity and gas use between January–February 2022 and February–May 2023 was greater than the variation in the proportions reporting experiencing these between nations and regions (Office for National Statistics, 2023b).

Alongside general inflation, both social and private renters have seen substantial increases in their rents, while sizeable interest-rate hikes have created cliff edges of ratcheting mortgage repayments for mortgaged home buyers as fixed-rate mortgages expire. In the social rented sector, social rent increases in England and Northern Ireland were capped at 7% and in Wales at 6.5% from April 2023, while in Scotland social landlords increased rents by, on average, 5% (Scottish Housing Regulator, 2023). Rent increases of this magnitude represent the largest increase in social rent levels seen in recent decades, albeit lower than inflation at that time. Among home buyers, the ratcheting up of mortgage repayments with interest-rate hikes is likely to disproportionately affect more recent buyers with larger outstanding mortgage debt, potentially exerting greater pain in parts of the UK with higher house prices. These hikes in mortgage payments have the potential to pull hundreds of thousands of people into poverty (Joseph Rowntree Foundation, 2022).

In the private rented sector, government statistics show that there had been record year-on-year increases in average rents across all tenancies between 2022 and 2023 in every UK nation and region (with the time series dating back to 2006 for English regions, 2010 for Wales, 2012 for Scotland and 2016 for Northern Ireland) (Office for National Statistics, 2023e). Analysis of Rightmove's rental price tracker since 2015 has shown that asking rents have also been increasing at record levels since 2021, typically with year-on-year increases in asking rents around or surpassing 10% (https://hub.rightmove.co.uk/rental-price-tracker). These had typically sat between 0% and 3% increases, and rarely surpassed 5%, in the years between 2015 and 2019. The substantially higher rate of rent inflation for new tenancies points to the increased pressures faced by those having to move home.

These trends in housing all point to the continued important role of housing costs in driving poverty rates, although crucially the extent to which they translate into increased poverty risk will be determined by how they interact with the labour market (employment rates and wage growth) in each nation and region of the UK and the adequacy of the benefits system.

The section on benefits and poverty identifies that the basic rate of income-related benefits has fallen dramatically in real terms since 2015. As set out earlier in this section, some parts of the UK see higher rates of benefit receipt, particularly in the north and Midlands of England, and Wales, as well as larger cities in particular. The resetting of Local Housing Allowance to the 30th percentile of rents will be particularly welcome in larger cities with higher housing costs where the erosion of support forces families to bridge shortfalls with other incomes. But it is in precisely those areas where the return of the freeze of the allowance after 2024/25 will be most keenly felt. The continued inadequacy of the benefits system is an important factor that keeps poverty rates elevated and will continue to drive geographic disparities in poverty.

Across all UK nations and regions, the rate of employment among working-age adults has been consistently climbing since the 1990s, reaching record-high rates of employment in the late 2010s. The early periods of the Covid-19 pandemic saw rates of employment fall, although the latest data shows recovery towards late-2010s levels since then. In fact, since 2021, the North East, Yorkshire and the Humber, the West Midlands and Scotland have all recorded their highest ever rates of employment. This also translates into falling inter-regional disparities in employment rates across the UK; in 2003, the ‘range’ of employment rates across the nations and regions was 11%, in 2013 it was 9% but by 2023 it had fallen to just 6%.

At the same time, most UK regions have also reported their lowest rates of unemployment on record (dating back to 1992). This tightness in the UK labour market is also intrinsically linked to the record levels of wage growth seen in recent history across the country, although this still represents a real-terms fall in earnings. It is possible that higher rates of employment, if maintained, could underpin falling poverty, and the current trends across the regions and nations of the UK could see reduced inter-regional inequalities in poverty rates.

How does this section interact with other sections?

This section has focused on national, regional and local authority level variation in poverty rates. However, there are clearly important differences in the drivers and rates of poverty and experiences of poverty at the more local level. Local economies, including jobs and the housing market, interact to influence employment rates and rates of pay, as well as the availability of affordable housing.

Disability, carers and poverty

Why is it important?

Disabled people face a higher risk of poverty and have done so for at least the past 20 years. This is driven partly by the additional costs associated with disability and ill-health, and partly by the barriers to work that disabled people face. As a result, disabled people and their families frequently rely on benefit payments as a source of income, which at current rates will almost inevitably lead to higher poverty rates.

Across the UK, millions of people provide unpaid care for an ill, older or disabled family member or friend. Many carers find that they struggle to balance work and care, and many have their own mental and physical health problems as a result of their caring responsibilities, resulting in poorer health outcomes (Carers UK, 2019; Public Health England, 2021). There are also significant financial costs associated with caring, with carers often using their income or savings to pay for support services and care equipment (Carers UK, 2023). All of these factors mean that carers are much more likely than those with no caring responsibilities to be living in poverty.

What's the headline story from the latest data?

Disability

This section sets out poverty rates for disabled people[6] and for individuals within families where someone is disabled.

There are 15.7 million disabled people in the UK – that is nearly one in four people (24%). Looking at this by age, 11% of children, 22% of working-age adults and 44% of pensioners report being disabled. Just over a third of all families contain at least one person who is disabled.

The poverty measure that has been used in this section looks at income after housing costs, excluding disability benefits from household income. This is because these benefits are designed to cover the costs associated with being disabled. Therefore, including them alongside other forms of income would give a misleadingly low assessment of the poverty risk. For example, many disabled people need to buy specialist equipment to live independently, including things like powered wheelchairs or screen readers, while disabled children may need therapies such as physiotherapy and speech and language therapy. Some impairments or conditions also have a significant impact on energy costs and, for some, public transport is inaccessible, meaning that some disabled people have no choice but to use taxis and private-hire vehicles to get around (Veruete-McKay et al, 2023).

In 2021/22, the poverty rate for disabled people was 31%, 12 percentage points above the rate for those who were not disabled. The difference continues to be particularly stark for working-age adults; disabled working-age adults were twice as likely to live in poverty compared with those who were not disabled (36% and 17% respectively).

Poverty rates are higher for disabled people

Disabled/not disabled	Age group	Poverty rate (%)
Disabled		
	Child	33
	Working-age adult	36
	Pensioner	22
Not disabled		
	Child	28
	Working-age adult	17
	Pensioner	17

Source: Households Below Average Income, 2021/22, DWP

Nearly half of all people who were disabled and living in poverty had a long-term, limiting mental condition – around 2.3 million people. The poverty rate for this group was 38%, compared with 31% for people with a physical or other disability.[7] Similarly, in our cost-of-living tracker in October 2023, we found that 86% of households in the lowest fifth of incomes with a person with a mental disability were going without the essentials, compared with 77% of those low-income households with a person with a physical disability and 73% with any other disability.

The poverty rate among working-age disabled men was 38%, double the rate for those who were not disabled (16%). For working-age disabled women, the poverty rate was lower at 35%, although still 17 percentage points higher than for women who were not disabled. The lower poverty rate among disabled women compared with disabled men can be explained in part by different family structures. Among working-age adults, 46% of disabled men were single without children, 12 percentage points higher than for disabled women. As single working-age adults have higher poverty rates than those in couples, the higher proportion of single men within this group will contribute to the higher poverty rate for disabled working-age men compared with disabled working-age women.

The poverty rate for individuals who lived in a family where someone was disabled was 31%, 13 percentage points higher than those who lived in families where no one was disabled. Of all families in poverty, just over half contained someone who was disabled, compared with just over one in three families not in poverty.

Poverty rates varied by who was disabled within the family; poverty was especially high in families where there were both disabled adults and children (39%).

Poverty rates are much higher for families containing a disabled adult

Disability mix within the family	Poverty rate (%)
No one is disabled	18
Disabled adults only	31
Disabled children only	27
Disabled adults and children	39

Source: Households Below Average Income, DWP, 2021/22

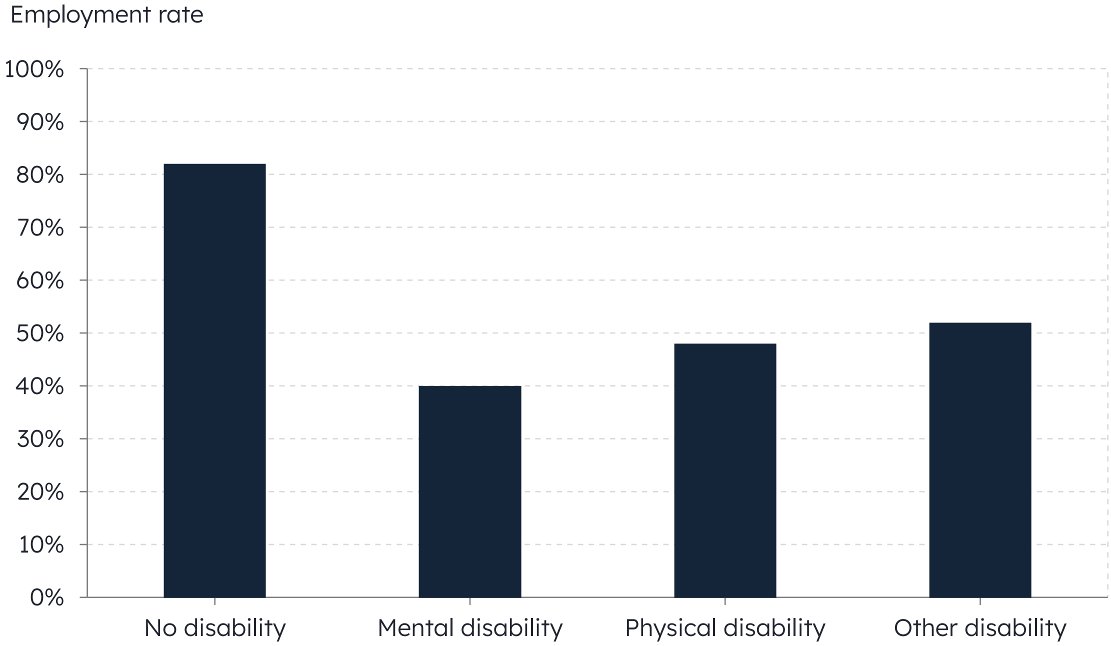
People living in a family with a disabled person were also more likely to be in very deep poverty. The risk of being in very deep poverty for people living in a family where someone was disabled increased by more than a third between 2002/03 and 2019/20 to reach 14%, or 3.2 million people. This reduced over the following two years, to 12% in 2021/22. Nonetheless, this still means that 2.9 million people living in a family with a disabled person were living in very deep poverty in 2021/22.

Disabled people are also more likely to move into very deep poverty, particularly working-age families with a disabled adult (Taylor and Schmuecker, 2023). People in families with a disabled adult are also slightly more likely than those without to experience short-term or persistent very deep poverty. Once again, this risk is greater for working-age families (Taylor and Schmuecker, 2023).

A key driver of higher poverty rates is the lower employment rate for disabled people and in families where someone is disabled. In September 2022, half of disabled working-age adults (53%) in the UK were in employment, compared with eight in ten (82%) non-disabled working-age adults. This means that there was a disability employment gap of 29.8 percentage points (Department for Work and Pensions, 2023a). This gap was greater for men, people aged 50–64 and people living in Northern Ireland, Scotland, Wales and the North West and the North East of England (Department for Work and Pensions, 2023a). Data from the Family Resources Survey shows that disabled people with severe or specific learning difficulties, autism, epilepsy and mental illness have the lowest employment rates.

Different employment rates also help to explain the higher poverty rate experienced by people with a long-term, limiting mental condition. Among this group, 40% of working-age adults were in work, compared with 48% of those with a physical disability and 52% of those with another disability.

Employment rates vary by disability type, but are much lower than for non-disabled people



Source: Households Below Average Income, 2021/22, DWP

Note: Mental disability includes difficulty with learning, understanding or concentrating, memory, mental health, and social or behavioural difficulties (for example, those associated with autism, attention deficit hyperactivity disorder or Asperger's syndrome). Physical disability includes difficulty with vision, hearing, mobility, dexterity, stamina, breathing or fatigue. The 'other' disability category is a specific response category included in the Family Resources Survey to capture any other disability not included in the given response list. Only people who say that their condition limits their daily life a lot or a little are included in these categories.

Among families where someone was disabled, the workless rate (the percentage of working-age adults living in families where no one was in work) was 30% compared with 12% in families where no one was disabled. Among working families, 17% of workers in families where someone was disabled worked part-time hours only, compared with 10% of working people in families where no one was disabled.

Different employment rates also affect the income profile for families. The median equivalised income after housing costs for people in families where someone was disabled was 78% that of people in families where no one was disabled. When disability and carer benefits were excluded from this, this fell to only 71%.

Carers

Nearly one in ten adults (4.8 million) were informal carers, with six in ten of these carers living in families where someone was disabled. Six in ten were women, and four in five were of working age. Around two-thirds cared, on average, for fewer than 35 hours a week, with around a third spending 35 hours a week or more providing informal care.

Informal carers were more likely to live in poverty than those without caring responsibilities (28% compared with 20%). Working-age carers had a higher poverty rate than carers of pension age, and it was higher among women than it was for men across both age groups in the latest data.

Poverty rates are higher for both female and male informal carers than non-carers across all age groups

Source: Households Below Average Income, 2021/22, DWP

Working-age informal carers were less likely to be employed than non-carers, a difference that could be seen among men and women. Around two-thirds of male carers (68%) and nearly six in ten female carers (57%) were employed. By contrast, around eight in ten men (79%) and seven in ten women who were not carers (72%) were employed.

The amount of time spent caring also affects a carer's ability to work. Six out of ten working-age adults (63%) who were caring for 35 hours or more a week were not in work – nearly three times the rate of those caring for fewer than 20 hours a week (23%). Nearly four in ten working-age adults caring for 20–35 hours a week were not in work (37%). Of those carers who were working, those with higher caring responsibilities (35+ hours a week) were more likely to work part time than those providing lower levels of care (20–34 hours or less than 20 hours a week): 43%, 35% and 29% respectively.

The reduced ability to work means informal carers face a financial penalty. Research by JRF estimates that unpaid social-care givers experience an average pay penalty of £414 a month (nearly £5,000 a year), reaching £628 a month (nearly £8,000 a year) after six years of providing unpaid care (Thompson et al, 2023).

Informal carers are also more likely to be in very deep poverty. The risk of being in very deep poverty nearly doubled between 2003/04 and 2020/21, from 7% to 13%. This fell back slightly to 11% in the latest data, but was still higher than for people who were not informal carers at 9%.

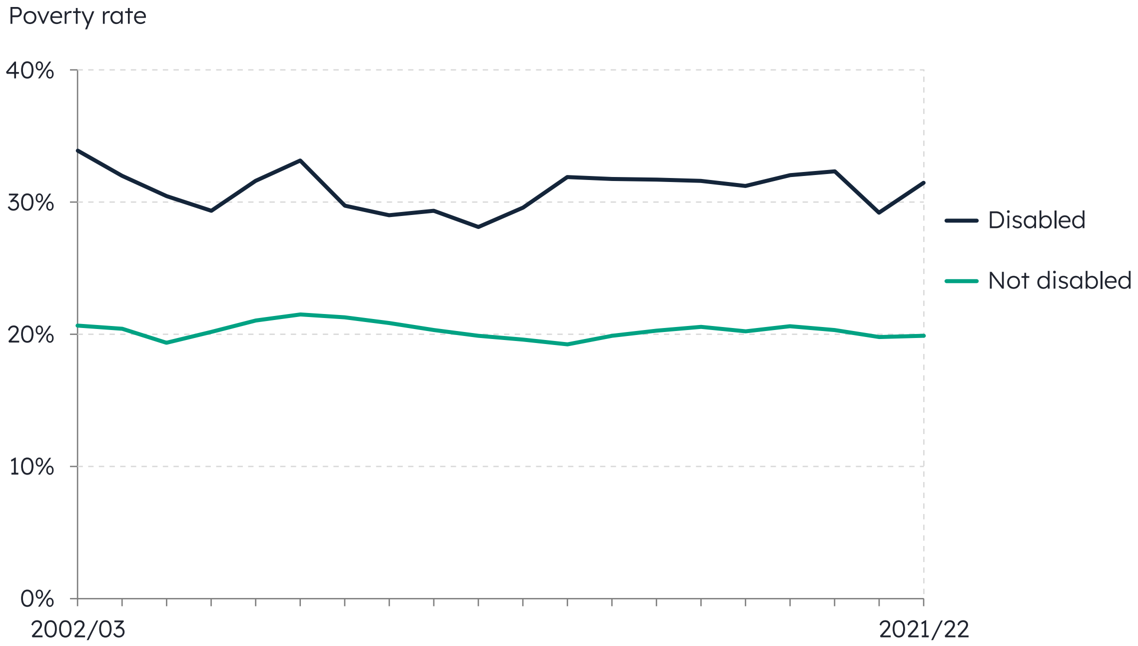
Families with an unpaid carer are more likely to move into very deep poverty than those without. They also experience higher exit rates from very deep poverty, which likely contributes to the particularly high level of short-term very deep poverty among this group (Taylor and Schmuecker, 2023). This suggests that unpaid social carers, who may have to change their work patterns for any paid employment to fit around their caring responsibilities or who may experience delays in accessing disability benefits for their family, are having to survive on more volatile household incomes.

How has this changed over time?

Disability

The poverty rate for disabled people has remained broadly stable at around a third since 2013/14. At the same time, the proportion of the UK population reporting being disabled has increased, as it has done consistently over the past two decades, particularly among working-age adults. This has resulted in larger numbers of people facing a higher risk of being in poverty, as poverty among disabled people has consistently been higher than among non-disabled people. After a closing of the poverty gap in the early part of the 21st century, it widened notably from 2011/12 to 2013/14 and has remained at broadly the same level ever since. The data from 2020/21 showed a drop in the poverty rate for disabled people, from 32% to 29%. This appears to be an outlier, with the poverty rate at 31% in the most recent data, in line with the previous level.

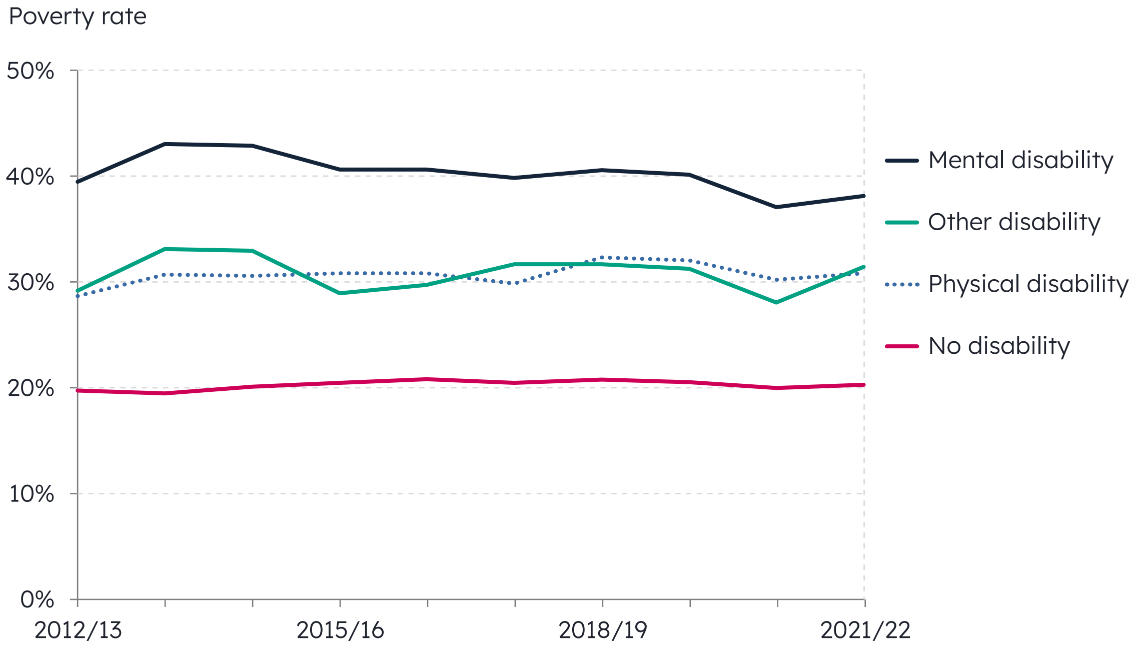
Over the past 20 years, the poverty rate has been consistently higher for disabled people than for people who are not disabled



Source: Households Below Average Income, 2002/03–2021/22, DWP

Within this, the poverty rates for people with a cognitive disability or mental health condition have been consistently higher than poverty rates for people with a physical or other disability.

Adults with a mental disability have had consistently higher rates of poverty than people with physical or other disabilities



Source: JRF analysis of Households Below Average Income, 2012/13–2021/22, DWP

Note: Where an individual has more than one type of disability, they are counted in all relevant categories. Disability-related benefits are excluded from household income.

Although the poverty rate for disabled people has remained steady, the proportion of disabled working-age adults in work increased from 42% in 2010/11 to 51% in 2021/22. The proportion of disabled people in work who work part time has remained relatively steady at around a third since 2012/13, compared with around a fifth of those who are not disabled.

Alongside these increasing employment rates, the disability employment gap for adults aged 16–64 fell between 2013 and 2019, before fluctuating during the Covid-19 pandemic (Department for Work and Pensions, 2023a). The most recent data from July to September 2022, however, shows that the disability employment gap increased, and is now at its widest since 2018 (Department for Work and Pensions, 2023a). Between 2010/11 and 2021/22, there was also a large fall in the proportion of disabled working-age people receiving income-related benefits, from 39% to 26%.

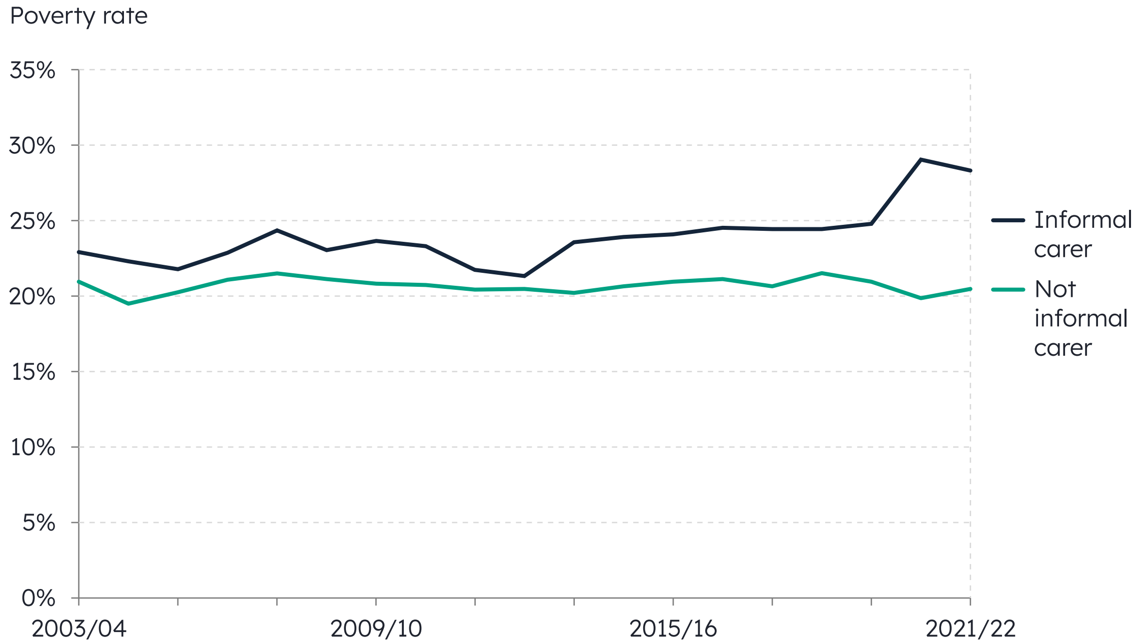
So, while more disabled people are working, they are still less likely to be in work, and less able to access full-time work. Therefore they often need to rely on income-related benefits to supplement their income.

Carers

The proportion of adults who are informal carers has remained relatively stable, at around 8–10%, over the past 15 years.

The poverty rate among carers has been consistently higher than among those who are not carers. Following a similar pattern to poverty among disabled people, the poverty gap between carers and non-carers widened after 2012/13. The gap remained broadly stable (at around 3 percentage points) until the latest two years, where the gap increased to around 8 percentage points. This could be due to changes in who is caring since the Covid-19 pandemic, or due to data-quality issues over the pandemic. Further data will help to determine whether this is a new trend.

The poverty gap between informal carers and people who are not informal carers widened even further in 2020/21 and remains bigger than it was before the pandemic



Source: Households Below Average Income, 2021/22, DWP

What are the future prospects?

The outlook for future poverty among disabled people, their families and carers remains concerning. The poverty gap between disabled and non-disabled people returned to pre-pandemic levels in the latest data, and while a greater proportion of disabled people are now employed, many are on low pay and still rely on income-related benefits. The value of many of these benefits has been eroded since 2010 through lower-than-inflation uprating, including the benefits freeze from April 2016 to March 2020. The return to uprating in 2020 has not reinstated this lost value, and benefits continue to be insufficient in protecting people and their families from experiencing poverty.

The upcoming changes to remove the Work Capability Assessment (WCA) will place even more weight on the Personal Independence Payment (PIP) assessment as the single gateway to additional support for disabled people. Although they may be well-intentioned, they are fraught with risks. It is right that the Government is looking at ways to offer support to more people who are currently deemed unable to work, which may help them towards employment. However, using the Personal Independence Payment alone to determine benefit levels and whether someone should be put on the Department for Work and Pensions' conditionality regime is not necessarily the right answer. The current assessment process is fraught with delays, errors and appeals, and the proposed reform risks more disabled people missing out on the financial support they are entitled to. The changes to the Work Capability Assessment that have been proposed would tighten access even earlier in the application process and raise similar concerns about the impact of increased conditionality on disabled people who have may have limited capacity to work.

Although employment is historically high among working-age disabled people, disabled people in work are more likely to be working part time and the employment gap between disabled and non-disabled people is at its largest since 2018. With signs of the labour market weakening, through falling vacancies and rising unemployment, disabled people are likely to be more at risk from the effects of an economic downturn.

The Government introduced new provisions entitling unpaid carers to one week of unpaid leave in 2023. However, many informal carers face a significant financial penalty as a result of caring, and poverty rates among informal carers are likely to remain higher than those among non-carers unless the role of work and how we perceive care within it is radically redesigned.

How does this section interact with other sections?

The key interactions are with the sections relating to work and benefits. The labour market does not currently offer sufficient flexibility and accessibility for all disabled people and carers who want to work. For those currently unable to work, benefit levels are inadequate.

This section also relates to the section on health, which shows that the experience of being in poverty itself can contribute to poor health, as well as the cost-of-living section, as many disabled families face higher core costs associated with someone's disability.

Work and poverty

Why is this important?

Work is one of the main ways of protecting against poverty, but it is not always sufficient to protect people from poverty given that the amount and type of work undertaken in a family also affect their chances of experiencing poverty.

After the first year of the Covid-19 pandemic, the UK economy was starting to re-open. In April 2021, when data collection started for the latest poverty data, many 'non-essential' businesses and outdoor venues re-opened, followed by indoor business venues the following month. Therefore, many people who had found themselves out of work or excluded from work were returning to work at this time, and understanding what happened to work after the Covid-19 pandemic plays an important role in understanding the state of poverty in the latest available data.

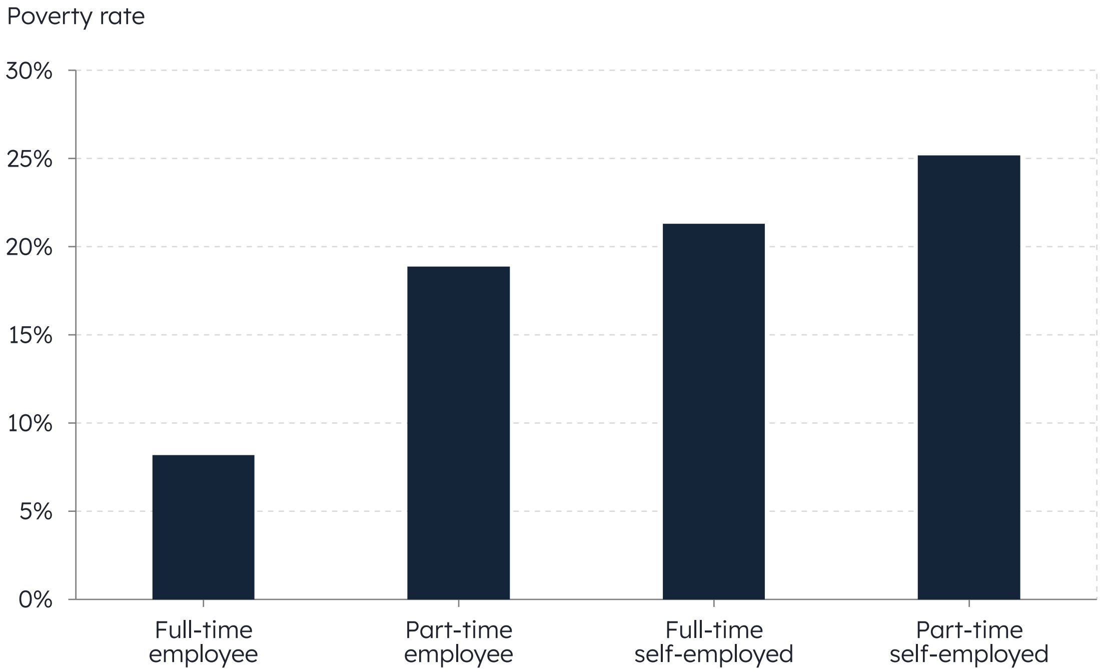
What's the headline story in the latest data?

In 2021/22, 15% of all working-age adults in a household with someone in work were in poverty. This is compared with 56% of people in workless households. Despite poverty rates being much higher in workless households, 64% of working-age adults in poverty lived in a household where at least one adult was in work.

The poverty rate for working-age adults living in a working household differs between the regions and nations of the UK. In 2021/22, Northern Ireland had the lowest poverty rate for this group at 10%. This was much lower than the rates in Yorkshire and the Humber and the North East (both with a rate of 16%), London (17%) and – the worst hit – the West Midlands (19%).

While poverty status is based on the income of the whole household and on all income sources, not just earnings from work, poverty rates do vary by whether someone is working full or part time and whether they are an employee or self-employed. The poverty rate for part-time workers was double that for full-time workers (20% compared with 10%) and self-employed workers were twice as likely to be in poverty as employees (23% compared with 10%).

Part-time self-employed workers have the highest poverty rate of all worker types



Source: Households Below Average Income, 2021/22, DWP

At a more granular level of the workforce, there were differences in poverty rates by sector. Workers in administration and support activities had the highest poverty rate at 22%. Accommodation and food services (20%), other service activities (19%), arts, entertainment and recreation (17%) and transportation and storage (16%) made up the remainder of the five industries with the highest poverty rates. This is likely to be linked to low pay as the median pay in four of those five sectors was lower than the median pay across all sectors in the UK (HMRC and Office for National Statistics, 2021).

How has this changed over time?

The proportion of working-age adults in poverty who were living in working households increased by 3 percentage points, from 61% to 64%, between 2020/21 and 2021/22. Despite this increase, it is still lower than the record-high proportion of working-age adults in poverty living in working households (68%) seen in 2019/20.

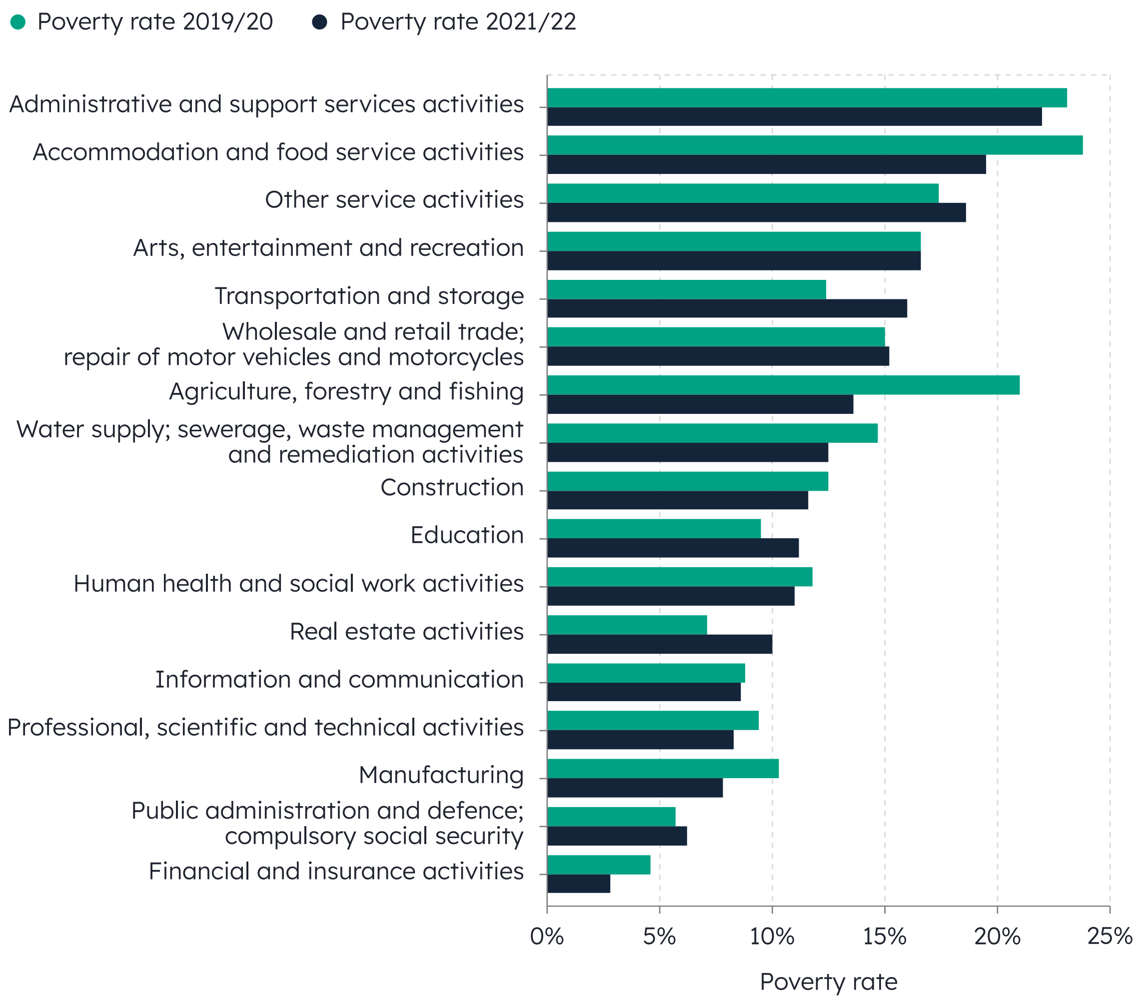
Changes to in-work poverty rates have differed across different parts of the UK. In Northern Ireland, the poverty rate among working-age adults living in households where someone was in work fell for the third period in a row. It is now only 1 percentage point from having the joint lowest rate on record. London has also experienced its third consecutive fall in the poverty rate in working households in three years, although its level remains the second highest rate in the UK. The West Midlands now has the UK's highest rate of poverty among working-age adults in working households. This comes after it recorded a 4 percentage point increase between 2018–21 and 2019–22, while the North East, which had previously had the highest rate, saw a 3 percentage point decrease.

The overall poverty rate for workers had remained relatively stable in the latest data. In 2021/22, 12% of all workers were in poverty compared with 11% in 2020/21 and 13% in 2019/20. Between 2020/21 and 2021/22, poverty among part-time workers increased from 18% to 20%, returning closer to the record-high level in 2019/20 of 22%. For full-time workers, this rate remained much more stable (9–10%).

After falling in the first year of the Covid-19 pandemic, the poverty rate for self-employed workers also rose in the latest data, albeit not to pre-pandemic levels. In 2021/22, 23% of self-employed workers were in poverty compared with 21% in 2020/21. This continues the long-term trend of self-employed workers having a poverty rate of 20% or higher, it being more than twice as high as employees' poverty rate. For employees, the unchanged rate of 10% keeps their poverty rate at levels akin to those of almost a decade ago.

In 2021/22, the administrative and support service activities sector was, once again, the sector with the highest rate of poverty (after having been overtaken by the wholesale and retail trade, repair of motor vehicles and motorcycles sector, and the accommodation and food service activities sector in the first year of the Covid-19 pandemic). In the latest data, many sectors' poverty rates returned to levels around those recorded in the year before Covid-19. Of those that didn't, the transportation and storage sector, and the real estate activities sector, had higher rates, while the manufacturing sector, the accommodation and food service activities sector, and the agriculture, forestry and fishing sector had lower rates.

Poverty rates remain highest in the administrative and support service and accommodation and food service sectors, but have fallen in the agriculture, forestry and fishing sector since 2019/20



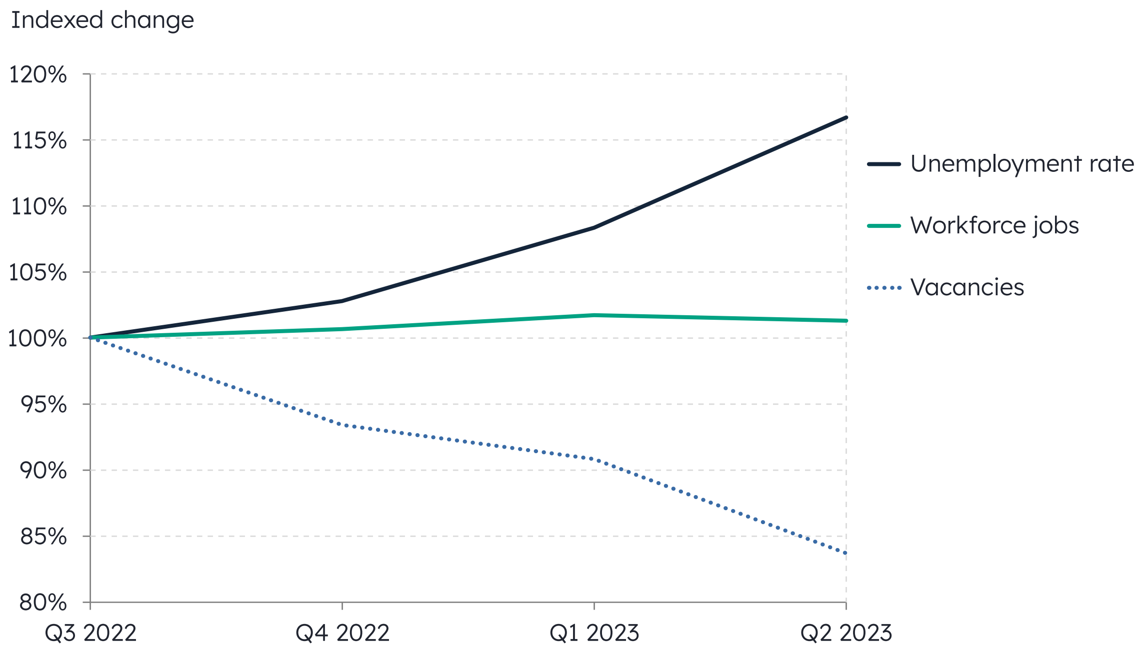
Source: Households Below Average Income, 2021/22

Note: The 'mining and quarrying', 'electricity, gas, steam and air conditioning supply', 'activities of households as employers' and 'undifferentiated goods and services producing activities of households for own use' sectors were excluded from the analysis due to small sample sizes. Figures for 2020/21 are not shown due to concerns about small sample sizes in the data.

These changes to in-work poverty rates seen in 2021/22 came as much of the UK's economy re-opened after lockdown restrictions were lifted, and as the Coronavirus Job Retention Scheme was wound down. This means that, like last year, changes to poverty rates among different groups of workers may reflect changes in the composition of people working in these sectors during the pandemic. Nonetheless, the removal of the £20 Universal Credit and Working Tax Credit uplift part way through the year may have caused rates to increase by reducing the incomes of low-paid workers.

Since this poverty data was collected, the UK's unemployment rate has risen, increasing the risk of poverty in the increased number of families with adults out of work. Between July–September 2022 and April–June 2023, unemployment increased from 3.6% to 4.2% (Office for National Statistics, 2023c). Data from the Labour Force Survey suggests that this is not primarily being driven by people losing their job (as the size of the workforce has remained broadly stable) but rather people who start looking for work being unable to find it, as the number of vacancies has fallen dramatically.

Decreasing vacancies and flatlining job totals mean that increases in unemployment are being driven by people unable to find work



Source: Labour Force Survey, 2022–23, Office for National Statistics

Note: Figures are indexed to figures from the third quarter of 2022. The y axis does not start at zero.

Looking at the Labour Force Survey's longitudinal data, we can see that almost half (48%) of those individuals who moved into unemployment between July–September 2022 and April–June 2023 had been inactive in July–September 2022. In comparison, only 40% had been employed at that time point (with the remaining 13% either under 16 years old or in government employment schemes at that time).

The group of people who moved from economic inactivity to unemployment between July–September 2022 and April–June 2023 can be broken down even further, depending on the reason why they were not in the workforce. More than a third of this group had been looking after their family or home (37%), with the rest equally divided between students (28%) and people inactive for other reasons (28%). Although we do not know from the data why these individuals have been unable to find work, people who try to re-enter the workforce may be held back if they do not have the skills needed for roles they desire after a period of absence from the labour force, if they are overqualified or overskilled for the roles advertised or if they cannot find work that meets their needs due to a disability or caring responsibilities. Many people who try to find work as a route out of poverty may therefore be unable to find suitable work to increase their income.

Due to the small sample size available in the data, we are restricted in what we can say about the 40% of people who became unemployed after being in employment. However, this data does suggest that almost one in four of the workers who became unemployed had been working in construction. This might have been expected given the construction sector's negative growth in both April and May 2023 (Office for National Statistics, 2023f).

The sectors of work with the highest in-work poverty rates (including administrative and support services, accommodation and food services and other service activities) did not show a clear decline of job numbers and vacancies. However, the construction sector, as well as the wholesale and retail trade/repair of motor vehicles sector and transportation and storage sector, which also showed potential signs of decline, did have higher-than-average in-work poverty. Nonetheless, declining job numbers and vacancies were also seen in the manufacturing and education sectors, which have lower in-work poverty rates.

The construction, wholesale and retail trade/repair of motor vehicles, transportation and storage, manufacturing and education sectors were responsible for a combined 160,000 fewer jobs and vacancies in July–September 2023 compared with April–June 2022 (Office for National Statistics, 2023f). A continuation of these downward trends in jobs and vacancies could result in additional upward pressure on the unemployment rate, and increased levels of poverty as more people are unable to find work.

What are the future prospects?

Since this data was collected, the official employment rate has remained at around 76%. We have even seen a record-high number of people in employment, no doubt helped by historically high vacancy rates (Office for National Statistics, 2023c). Taken at face value, these are positives. More people in work, means more people are earning and have higher incomes.

However, there is much cause for concern about the future prospects for in-work poverty. Recent increases in employment have tended to be driven by increased numbers of part-time and self-employed workers (Office for National Statistics, 2023c) who, as we have seen, face a higher risk of poverty. This is of concern for the future prospects of in-work poverty as the number of part-time workers is increasing after a fall during the first year of the Covid-19 pandemic. Data from the Annual Population Survey suggests that the number of part-time workers increased by 260,000 between 2021/22 and 2022/23, the largest year-on-year change in its history. On top of this, the proportion of employees who work part time is at its highest level in three years and the proportion of self-employed workers who work part time is the highest on record. More self-employed, part-time workers, in particular, increases the likelihood of higher in-work poverty due to their having the highest rate of poverty of all worker types.

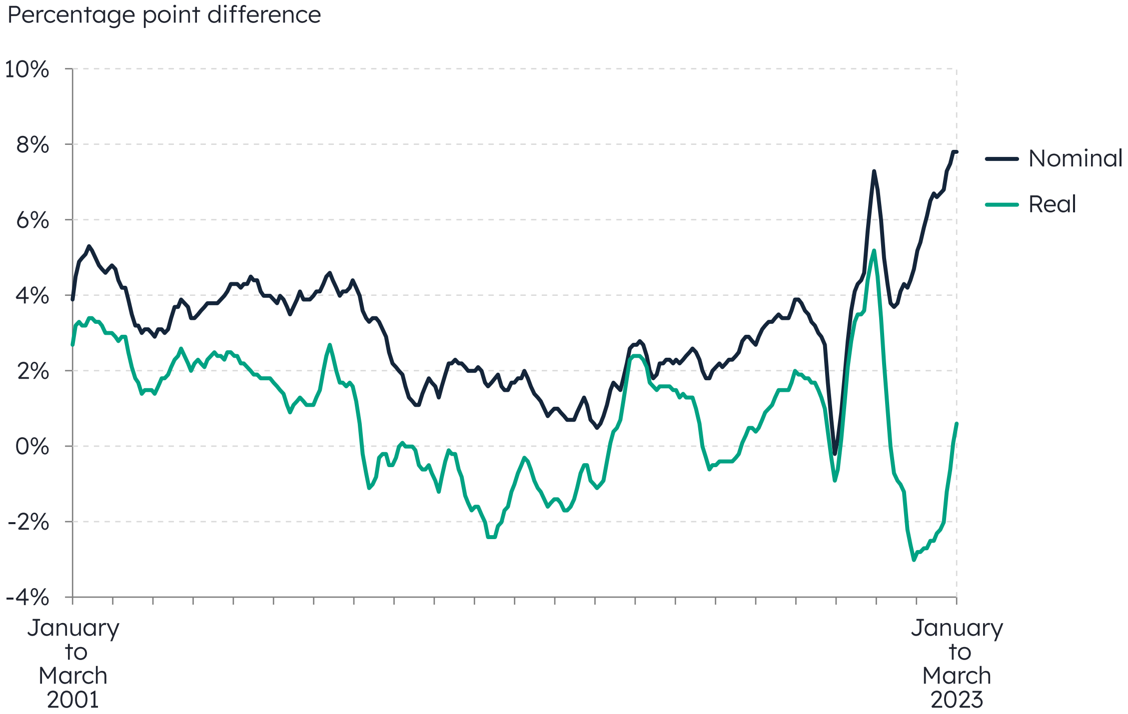
Recent changes to the labour market may reflect its recovery from the Covid-19 pandemic and might level out in time. However, a continuation of current trends – particularly increases in the number of part-time and self-employed workers – could increase in-work poverty rates further, possibly above the all-time high of 2019/20. This is an area that policy-makers will need to follow closely in the coming months.

More broadly, businesses have started to report holding back recruitment because of economic pressures (Office for National Statistics, 2023c). This will in no small part be due to increasing costs. The high inflation that the UK has experienced over recent years is not just affecting the number of jobs available, but is also eroding the value of workers' earnings. We see the scale of this when comparing nominal and real earnings. Since 2021/22, nominal earnings have increased healthily year-on-year. In fact, some rates of growth have been close to the highest on record. However, in real terms over this period, total pay (pay including bonuses) has fallen by 2.9% (Office for National Statistics, 2023d). This is one of the largest falls on record. Regular pay (pay excluding bonuses) has fallen by 3.0% (Office for National Statistics, 2023d), the largest fall in earnings growth since comparable records began in 2001.

Falling real earnings will push down household incomes, and will greatly increase the risk of workers experiencing in-work poverty. Real-term earnings only started to recover in April–June 2023 when the cost-of-living crisis one-off bonus payments received by NHS workers and civil servants entered the data (Office for National Statistics, 2023c). While those who did not receive the cost-of-living bonus payments may have fallen even further behind, these payments finish in April 2024, which may push more low-paid workers into poverty.

Providing some hope is the possibility that, in the coming years, benefits uprating and earnings growth may offset some of any possible increases in in-work poverty.

The percentage point difference between real and nominal total regular pay is far bigger than it has been at any point over the past two decades



Source: Average weekly earnings in Great Britain, Office for National Statistics, October 2023

How does this section interact with other sections?

Work is one of the three major issues that drive poverty in the UK, alongside housing costs and the performance of the social security system. Higher employment rates, an increasing minimum wage, increasing wages and more hours of work can only protect people against poverty so far if housing costs are too high and the UK's social security system fails to be the lifeline that it should be. The negative effects on poverty from the UK's social security system and housing costs will moderate any positive impacts of higher pay and more hours.

Individuals can also face barriers that prevent them from accessing work that guards against poverty. This includes the cost and availability of childcare and the need to provide care for any disabled adults or children. Likewise, an individual's health will determine their ability to access good work that shields them from poverty. There are also regional inequalities in the availability of work and the transport networks that affect getting to and from work in a timely or affordable way.

Benefits and poverty

Why is this important?

A poverty-fighting social security system is a necessary part of any solution to end poverty and destitution. It can replace or supplement the incomes of people who cannot earn enough money through work to meet their core living costs due to unemployment, underemployment, low pay or low-quality work. It can also offer support when people experience shocks to their income (for example job loss) or unexpected costs (for instance due to sudden illness), as well as supporting people who are unable to work full time (for example because of disability or caring responsibilities).

It can also support people who have higher core living costs than others. For example, living with a disability often adds to the cost of living as your energy costs may be higher. Similarly, having children is more expensive than not having them because there are extra people in the household who need supporting who do not contribute to the household's income.

Around half of all families in the UK receive some form of financial state support, of whom nearly half (46%, equivalent to 7.2 million households in the Family Resources Survey) receive one or more of Universal Credit (or its equivalent benefits), disability benefits, Carer's Allowance or Pension Credit. The State Pension and Child Benefit are the most widely claimed benefits in terms of recipient numbers. Universal Credit is the largest of the income-related benefits available, with around 5 million families in Great Britain claiming this (Department for Work and Pensions, 2023c). Recipients of income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Income Support, Housing Benefit (working-age families), Child Tax Credit and Working Tax Credit – sometimes described as 'legacy benefits' – are in the process of being migrated to the Universal Credit system. Families with children, disabilities or caring responsibilities are the most likely to claim income-related benefits.

Social security policy choices are therefore important as they have an impact on a significant proportion of the population, including those in poverty.

What's the headline story in the latest data?

The poverty rates of people claiming different income-related benefits are much higher than the national average poverty rate. On the one hand, this is to be expected given the 'low income' eligibility criteria for claiming these benefits, but on the other hand it demonstrates that the level of benefits available is frequently not sufficient to enable recipients to escape poverty.

Poverty rates for people in families in receipt of benefits

Benefit	Poverty rate for people in families in receipt of benefit (%)
Universal Credit or equivalents[1]	49
Disability benefits[2]	20
Carer's Allowance[3]	34
Pension Credit	35
None of the above	15

Source: Households Below Average Income, 2021/22, DWP

Note:

1. 'Universal Credit or equivalents' covers families in receipt of Universal Credit or any of the legacy benefits it is replacing, that is, working-age Jobseeker's Allowance (income-related), Employment and Support Allowance (income-related), Income Support, Child Tax Credit, Working Tax Credit and Housing Benefit (for working-age adults).

2. Disability benefits include any form of Disability Living Allowance, War Disablement Pension/Armed Forces Compensation Scheme, Attendance Allowance, Industrial Injuries Disablement Benefit and any form of Personal Independence Payment. The income from these benefits has been included as income, but the benefits are actually paying for the extra costs associated with being disabled, rather than increasing recipients' living standards. If these benefits are not included as income, the poverty rate for this group rises to 39%.

3. Carer's Allowance recipients are more likely to live with someone in receipt of disability benefits. If disability benefits are not included as income, the poverty rate for this group rises to 51%.

How has this changed over time?

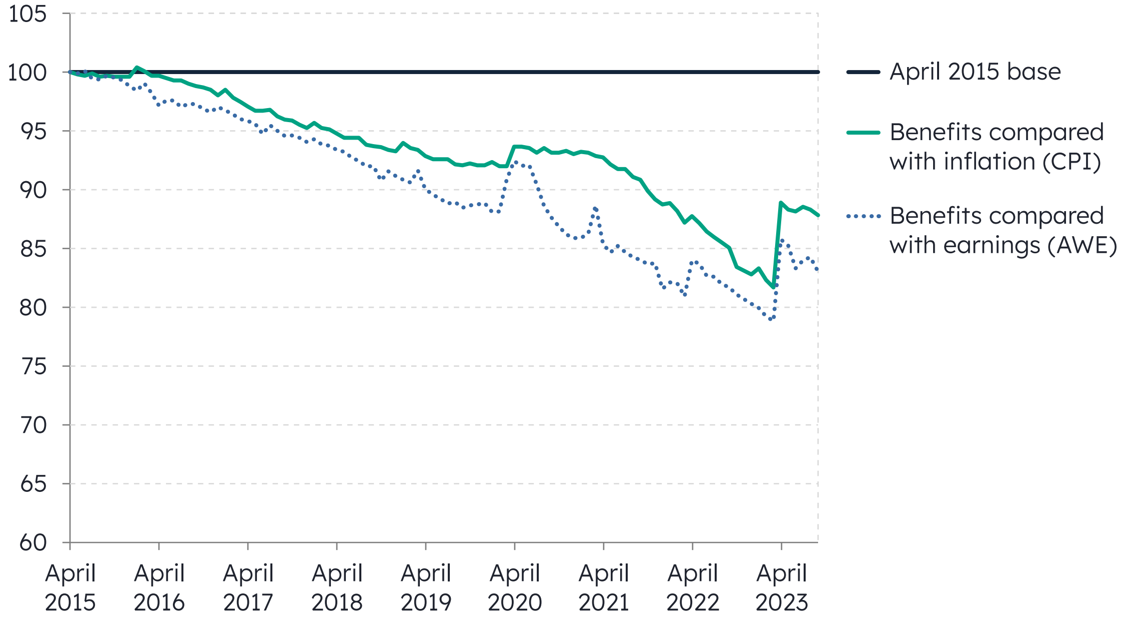
Poverty rates for people in households claiming income-related benefits increased by 10 percentage points over the 10-year period from 2011/12 to 2021/22, from 39% to 49%. Most of this increase occurred between 2011/12 and 2015/16, in part because of changes to the benefits system that meant it became more targeted at families with the very lowest incomes. Since 2015/16, there has been little deviation from the rates in the table above, although it was lower in 2020/21 when the £20 uplift to Universal Credit and Working Tax Credit was in place at the start of the Covid-19 pandemic.

This means that there was an incredibly high gap in poverty rates between those who claimed income-related benefits and those who did not over this whole period. Even accepting the high likelihood of poverty being more prevalent among those claiming benefits with a low-income eligibility criteria, the size of the gap is completely unjustifiable; recipients of Universal Credit (or its equivalent benefits) have consistently been at least three times more likely to be in poverty than those not claiming any income-related benefits.

However, since 2015, the basic rate of income-related benefits has fallen dramatically in real terms. The recent resumption of uprating in line with inflation that took place in 2021 and 2022 has not done anything to bring it back to its original value. In fact, soaring inflation between September 2021 (when 2022 benefit rates were set) and April 2022 meant that 2022 saw the greatest fall in the real-terms value of the basic rate of unemployment benefits since 1972, when annual uprating began.

Between April 2015 (the last year before the benefits freeze) and the start of the Covid-19 pandemic, the value of benefits consistently declined. Although it increased when inflation and earnings fell at the start of the pandemic and the benefits freeze ended in 2020, it remains below pre-pandemic levels

Ratio of benefits to earnings or inflation



Source: DWP abstract of statistics and ONS inflation and wage data

Note: CPI = Consumer Price Index and AWE = average weekly earnings.

This strongly suggests that the consistently high poverty rate among benefit recipients has been kept high by more than a decade of cuts to welfare spending[8] and is not, therefore, wholly inevitable. Income-related benefit payments fall a long way short of what is needed for enabling recipients to escape poverty, indeed the basic rate of Universal Credit is even below destitution thresholds. As a case in point, the temporary £20 uplift to Universal Credit and Working Tax Credit during the Covid-19 pandemic caused a significant reduction in poverty in 2020/21, but by 2021/22 – when the uplift was removed halfway through the year – levels of poverty in households that received benefits increased again (albeit not to pre-pandemic levels).

Therefore, while the social security system does keep thousands of households out of poverty, current payment levels mean that thousands more continue to struggle needlessly.

What are the future prospects?

In April 2024, most benefits will be increased by 6.7% in line with inflation measured in September 2023 (with the exception of the State Pension, which is raised by a higher percentage due to the 'triple lock' – whereby the State Pension is increased by the highest of three different values: the growth in average earnings, inflation or 2.5%). At the same time, the rate of Local Housing Allowance will be brought back up to the 30th percentile of rents (although it will be re-frozen in 2025/26). These are welcome moves that will go somewhere to maintaining the current value of benefits. However, the 2023 cost-of-living payments for benefit recipients that alleviated some – but by no means all – of the immediate pressures facing low-income families will come to an end in April 2024 and millions of benefit recipients will still face severe hardship.

The lasting impact of the benefit freeze means that benefit rates overall continue to be near an all-time low. This is compounded by other elements of the social security system, including the continued impact of rolling out the two-child limit and changes to sanctions and disability assessments. Combined with soaring living costs, this continues to have a devastating impact on families in poverty who receive Universal Credit (or its equivalent benefits), disability benefits, Carer's Allowance or Pension Credit. Across households where someone is in receipt of at least one of these benefits, on average 70% of gross household income is made up of state support.

How does this section interact with other sections?

A well-designed benefits system can help protect people from falling into poverty or falling into deeper poverty and enable people to escape poverty. Low benefit levels are therefore one of the key drivers of poverty (in combination with levels of work and earnings). A benefits system that does not offer protection against poverty can cause anxiety as well as financial hardship among those who struggle to access help.

Housing and poverty

Why is this important?

Homes provide the foundation for a decent life, connecting people to work, education, services and their communities. The affordability and stability of housing, alongside the quality and size of homes, are crucial in themselves, but also, if unaffordable, can drag occupants into poverty.

The experience of being in poverty also influences the type, quality and size of homes that households are able to access. It can result in instability if families are unable to keep up with payments, and can be a driver of overcrowding and concealed households if, for example, adult children live with their parents as they are unable to afford a home of their own or to find a home of the right size. At worst, households facing unaffordable housing costs can experience destitution, homelessness or rough sleeping.

What's the headline story in the latest data?

Housing costs are a major factor in determining whether people are pulled into poverty, with the cost of housing a key driver of poverty for renters in particular. In 2021/22, more than four in ten social renters (43%, 4.8 million people) and a third of private renters (35%, 4.4 million people) were in poverty after housing costs. Within these groups, a third of social renters (36%) and a half of private renters (51%) were only in poverty after their housing costs are factored in, suggesting they were pushed into poverty by these high costs.

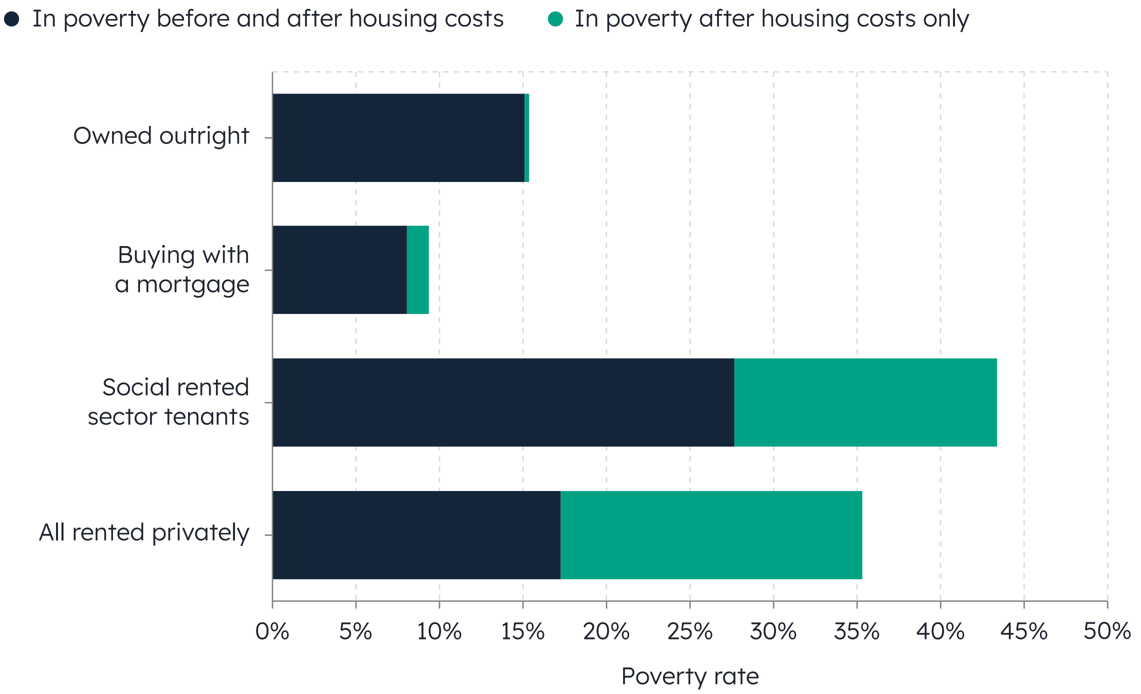
Among homeowners, 15% of people who lived in a home that was owned outright (3 million people) were in poverty. For this group, the housing costs included in this measure are negligible. One in ten people living in a home being bought with a mortgage (9%, 2.2 million people) were also in poverty. The vast majority of those in poverty in homes owned outright or being bought with a mortgage were in poverty before housing costs were factored in; housing costs were typically not a driver of poverty for these groups in 2021/22.

Average number of people in poverty and poverty rates by tenure, 2021/22

Tenure	Number in poverty	Poverty rate (%)
Owned outright	3,000,000	15
Buying with mortgage	2,200,000	9
Social renting	4,800,000	43
Private renting	4,400,000	35

Source: Households Below Average Income, 2021/22, DWP

The poverty rate is highest for social and private renters, many of whom are in poverty only after housing costs



Source: Households Below Average Income, 2021/22, DWP

The high poverty rate among **social renters** reflects the priority given in the allocation of social housing to those with the greatest level of need. This is seen in the demographic composition of the social rented sector: just over a fifth of social renters (22%) were in single-parent families (compared with 5% in other tenures), the majority were in a household where someone had a disability (58%, compared with 33% in other tenures) and around a quarter of working-age adults in the social rented sector were not in or seeking work due to long-term ill-health or disability (26%, compared with 4% in other tenures). They are also more likely to have larger families, which increases poverty risk as incomes must stretch further; 53% of children in social rented homes were in families with three or more children, compared with 28% in other tenures.

People living in the social rented sector are disproportionately in low-income households; 68% were in the bottom 40% of household incomes (before housing costs). This, and the higher rates of poverty among social renters, are largely driven by much lower rates of employment, with only half (50%) of working-age social renters in employment compared with around four-fifths (79%) of other working-age adults. This disparity reflects the high rate of work-limiting ill-health and disability among social renters as well as the substantial proportion who were looking after their family and home (6%, compared with 3% in other tenures). At the household level, a third of working-age social renters were in households where no adults were in work (34%, 9% in other tenures), and only a third were in households where all adults were in work (33%, 65% in other tenures).

Even among adults in the social rented sector who were in work, they were more likely to be working part time (28%, compared with 20% in other tenures), in lower-paid roles (55% in roles classified as ‘routine’ compared with 22% in other tenures) and in lower-paid sectors. They were more likely to work in health services (18%, compared with 15% in other tenures), retail and wholesale (17%, compared with 11%), administrative and support services (9%, compared with 4%), transportation (8%, compared with 5%) and accommodation and hospitality (8%, compared with 4%).

Given these higher rates of economic inactivity and greater concentration of employment in lower-paid roles among social renting adults, it is not surprising that they are much more likely to be in receipt of social security. Among social-renting working-age adults, 56% were in receipt of Universal Credit or its legacy benefit equivalents, compared with just 11% of other adults, while 24% were in receipt of disability-related benefits compared with just 6% of other adults. Among pension-age adults in the social rented sector, 36% were in receipt of Pension Credit, compared with 5% of other pension-age adults. Social-renting families are therefore particularly vulnerable to any reduction in the generosity or coverage of social security, such as the benefits freezes and caps we have seen over the previous decade.

Private renters also have a much higher-than-average poverty rate, with higher rents playing an important role in pulling a substantial share of this group into poverty. On average across the UK, private renters in poverty spend 60% more on rent than social renters in poverty. This helps to explain why around half of private renters in poverty were only in poverty after housing costs were factored in, compared with just over a third of social renters in poverty.

Poverty rates were higher for private renters in the Midlands and north of England than across the south and in the East of England and other UK nations. Between a third and a half of private renters in poverty in the Midlands and north of England were only in poverty after housing costs were factored in. This indicates that the higher cost of private renting is a driver of poverty for a substantial minority of those in poverty in these areas. However, this effect was even more pronounced in the south and East of England where, despite a lower poverty rate for private renters, a majority of private renters who were in poverty were in poverty only after housing costs. While there are stronger labour markets (including higher rates of employment, levels of pay and availability of employment opportunities) in these areas, the high cost of housing increases the risk of housing costs pulling people into poverty.

How has this changed over time?

The poverty rate among both social and private renters has remained relatively stable since 2010, at around 42–46% for social renters, and fluctuating between 32% and 39% for private renters, having fallen through the 1990s and 2000s from highs of 55% in 1996/97 for social renters and 44% in 1994/95 for private renters. This follows the general overall trend of a fall in poverty rates through the late 1990s and early 2000s, followed by a stagnation in poverty rates in the period since.

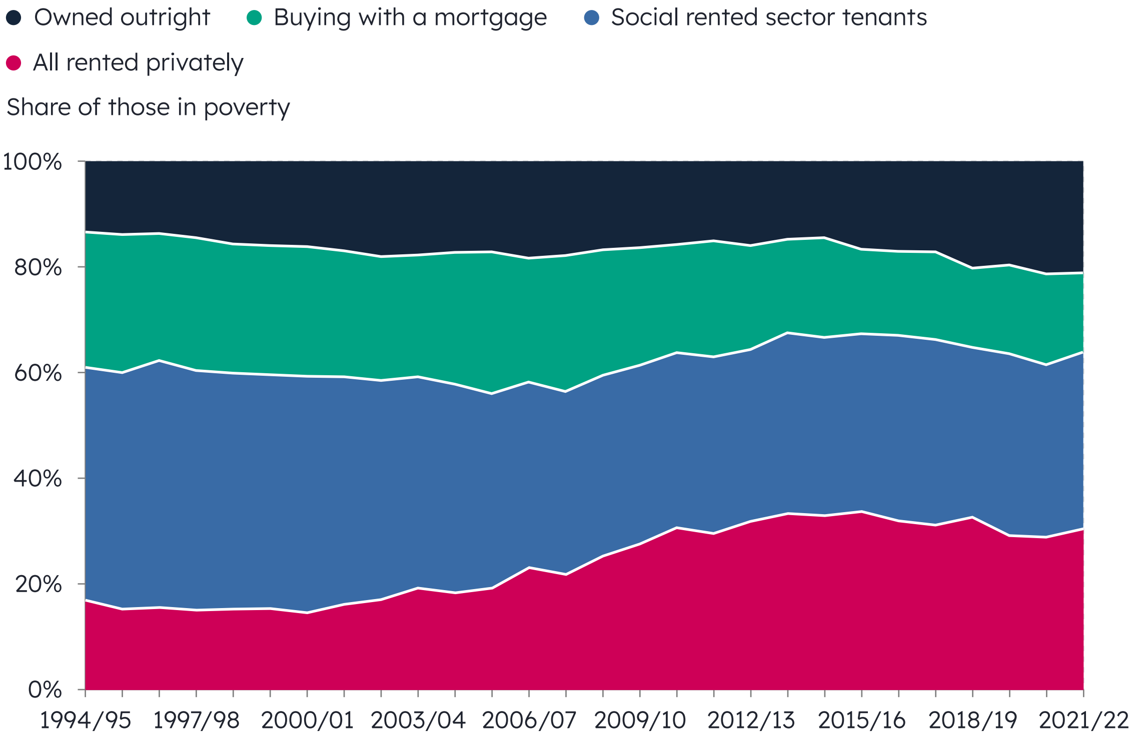
Among outright homeowners, poverty rates fell from highs of around 17% in the late 1990s to 11% by 2013–15, although they have climbed since and sat at 15% in 2021/22. As the predominant tenure of pension-age adults – more than three-quarters (77%) of whom now live in a home owned outright, up from 58% in 1994/95 – the increase has in part been driven by an increase in pensioner poverty since around 2013/14.

The latest poverty rate for people living in a home being bought with a mortgage is the lowest it has been in the time series, at 9%. This had sat between 10% and 12% from 2009/10, after having peaked at 14% in 2007/08. A substantial level of income is required to achieve homeownership and service a mortgage, which is why we see the lowest rates of poverty among those who have managed to acquire their own home in this way. As discussed later in this section, however, the hike in mortgage interest rates is likely to reverse this trend and see poverty rates among this group climb again.

There has been a large shift in the housing tenure lived in by the UK population across the past 20 years. There has also been, by extension, a shift in tenure lived in by those in poverty. Since 2000, the contraction of the social rented sector has continued, the share of homes that are owner-occupied has fallen slightly and the private rented sector has doubled in size.

In 2000, just under half (45%) of people in poverty lived in the social rented sector, 15% lived in the private rented sector and 40% lived in owner-occupied housing. Now, those in poverty are fairly evenly split across the three tenures, with a third social renting (33%), just over a third in owner-occupied housing (36%) and just under a third (31%) private renting. This change in tenure, with increased reliance on the private rental market and a diminished role of the social rented sector, has brought with it increased insecurity of tenure and higher housing costs for families in poverty. Had the size of the social rented sector been maintained, the depth of poverty experienced by those now in poverty in the private rented sector, who otherwise would have been social renters, would be ameliorated and we would likely see a lower overall rate of poverty.

The proportion of those living in poverty in the private rented sector is much higher than it was 25 years ago



Source: Households Below Average Income, 2021/22, DWP

What are the future prospects?

The cumulative impact of recent trends in the housing market, including substantial increases in rents – and asking rents for new private tenancies in particular – along with hikes in mortgage interest rates, are likely to lead to an increase in poverty levels.

Since the start of 2023, average private rents across all tenancies have seen their largest year-on-year increases since the Office for National Statistics' Index of Private Housing Rental Prices data series began (2006 for England regions, 2012 for Great Britain). This has been the case across every UK nation and every region in England. Across Great Britain, the average private rental growth in the year to August 2023 was 5.5%, between two and three times the average annual rates of private rental growth seen in the years from 2012 through 2021. This increase has been largely driven by soaring rents for new private tenancies. Rightmove's rental price tracker demonstrates that asking rents have seen double-digit (or near-double-digit) year-on-year increases since 2021 across all nations and regions of Britain (see https://hub.rightmove.co.uk/rental-price-tracker).

Currently, private rent increases are likely driven by a combination of demand-push and cost-pull inflation. Alongside historically high rates of inflation, we have seen historically high wage growth and rates of employment, which feeds through to higher rents, particularly as the supply of housing is constrained. This means that landlords will likely seek to maximise rents and the profits they can achieve from their properties. At the same time, hikes in interest rates have ratcheted up the costs for private landlords servicing interest on mortgages, and inflation has driven up running costs, so to maintain profitability many may seek to pass some of these increases on to tenants.

Hikes in housing costs increase the risk of poverty, particularly for those who do not experience equivalent increases in their income through wages or benefits. Importantly for those in poverty in the private rented sector, support towards housing costs has been frozen since 2020. This has meant that, by September 2022, Local Housing Allowance covered only the cheapest 18% of private rental properties across England on average (Elliott, 2023). The situation is even more dire for low-income families seeking a new home in the private rental sector as Local Housing Allowance only covered rent for 5% of properties coming on to the market by the first quarter of 2023 (Waters and Wernham, 2023). The fact that support continues to be frozen as rents climb means there are increasing shortfalls that must be made up with other incomes. This policy decision therefore risks deepening the experience of poverty for low-income private renters and will prevent many from accessing adequate and affordable housing altogether. This is why the resetting of Local Housing Allowance to the 30th percentile of local rents from April 2024 is so important.

From April 2023, social rent increases in England and Northern Ireland were capped at 7%, and in Wales at 6.5%, while in Scotland social landlords increased rents by, on average, 5% (Scottish Housing Regulator, 2023). While lower than the overall rate of inflation at the time, these increases represent the largest increases in rents that the social rented sector has seen over the past couple of decades. The increase in April 2024 may be even bigger than in April 2023 if the policy of increasing rents by the Consumer Price Index (CPI) + 1% is unaltered, which would see rents increase by 7.7% based on the inflation rate as at September 2023. Rent increases that are not accompanied by equivalent increases in incomes, through earnings and benefits, will increase poverty rates and deepen poverty.

A group increasingly at risk of being pulled into poverty at present and in the coming months and years are lower-income families buying with a mortgage, particularly where they were already stretching their incomes when they got onto the housing ladder. The tightening of the regulation of mortgage lending that was implemented after the global financial crisis means that there is now more stringent stress testing of mortgage-rate increases against buyers' incomes. In theory, this should mean that increases in mortgage interest payments for many families buying with a mortgage are still affordable within their incomes. However, within the context of hikes for other expenditure such as energy and groceries, many mortgage holders will be feeling the squeeze. The scale of the hikes in interest rates risks pulling hundreds of thousands of people in households buying with a mortgage into poverty as mortgage fixes expire (Joseph Rowntree Foundation, 2022). Buyers who are early into their mortgage term and those facing a loss of income are likely to be particularly vulnerable to this.

How does this section interact with other sections?

Geography is an important determinant of housing costs. Private rents and house prices are much higher in the south of England and larger cities, and even social rents, set based on local property values and earnings, are higher than average in these areas.

As is the case for the majority of this report, this section has provided UK-wide numbers, the sample for which, reflecting the population, is dominated by figures for England. It is worth noting, however, that the substantial differences in housing policy and outcomes in the different nations of the UK mean that these figures are more pertinent to the English housing system than they are in Scotland and Northern Ireland in particular.

The experience of being in poverty

The experience of being in poverty

Cost of living

Why is this important?

The cost of living is how much households spend on goods and services to help them fulfil their everyday lives. People who live in households that can afford to meet the cost of living can participate more fully in society. If the price of goods, especially of essentials, increases at a faster rate than incomes, this squeezes household budgets and puts pressure on those already on lower incomes.

But millions of people across the UK remain in the grip of a cost-of-living crisis; already-high prices continue to rise while increasing rents and interest rates, along with a deteriorating job market, are increasing the financial pressures on families across the income distribution, but on low-income families in particular. The lowest-income households continue to face higher-than-average inflation rates as they spend a higher proportion of their income on essentials, such as food. Food inflation remained at 10.1% in the year to October 2023, even as overall inflation fell to 4.7%.

The support that has been available to low-income households has not been sufficient to meet the rising costs they face. Millions of people are being forced to go without essentials, falling behind on their bills and taking on additional debt. As well as causing deep hardship today, this will also damage the future and long-term financial resilience of millions of people in poverty.

What's the headline story in the latest data?

JRF has been tracking the impact of the cost-of-living crisis so far on low-income households, with five bespoke large-scale surveys at six-month intervals since October 2021.

The picture continues to be dire for those on the lowest incomes (here defined as those in the bottom 20% of equivalised household incomes before housing costs are taken into account). In October 2023, around 2.8 million households (47%) were in arrears with their household bills or behind on scheduled lending repayments, 4.2 million households (72%) were going without essentials and 3.4 million (58%) reported not having enough money for food.

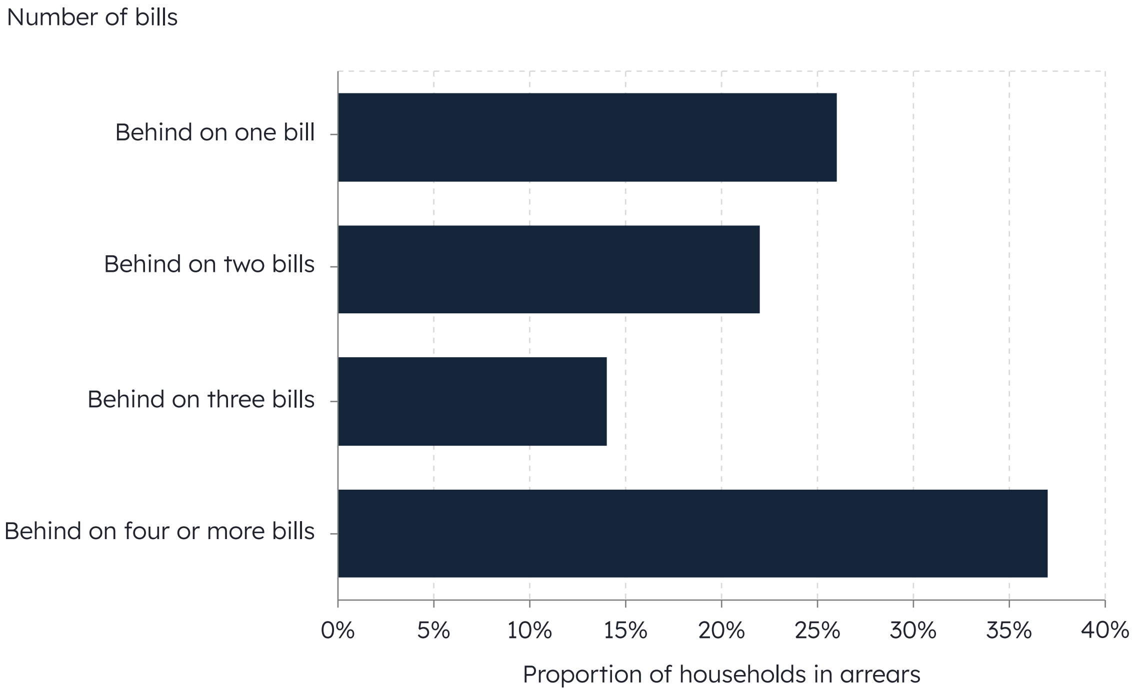
These stark figures are all despite recent government support targeting those on the lowest incomes. To alleviate severe hardship across the UK, these figures need to fall significantly. Despite inflation falling, incomes are clearly still struggling to keep up with prices, which continue to rise. As other sections of this report outline, the costs of essentials such as food, heating and transport have all increased significantly since 2021, and these price rises are hitting people on the lowest incomes the hardest. Therefore, government support has not been sufficient to protect low-income families in the cost-of-living crisis.

Falling behind with bills

As outlined above, millions of households on the lowest incomes currently do not have sufficient income to cover their bills. That means they are falling into arrears, taking on loans to pay these essential costs or going without the basics. In October 2023, 2.8 million low-income households (47%) reported being in arrears. This was 12 percentage points higher than the 35% of households in the next fifth of incomes.

But low-income households are not just falling behind with one or two bills; many are unable to keep up with payments in a range of areas. More than half of people in low-income households in arrears (52%) are in arrears with three or more bills, and 38% are in arrears with four or more bills.

More than a third of low-income households in arrears are behind on four or more bills



Source: JRF cost-of-living tracker, Savanta ComRes, October 2023

Note: Low-income households are those whose equivalised income before housing costs is in the bottom 20% of household incomes across the UK.

In October 2023, JRF's cost-of-living tracker investigated whether low-income households had taken out loans, and their reasons for holding these, for the first time. We found that 2.2 million households (38%) in the bottom fifth of incomes held a loan that they had taken out to help cover the cost of essential bills, housing or food. Unfortunately, this hasn't been enough for most of them to cover other essential costs, as 78% of this group also reported being in arrears with their household bills or credit at the same time.

Going without essentials

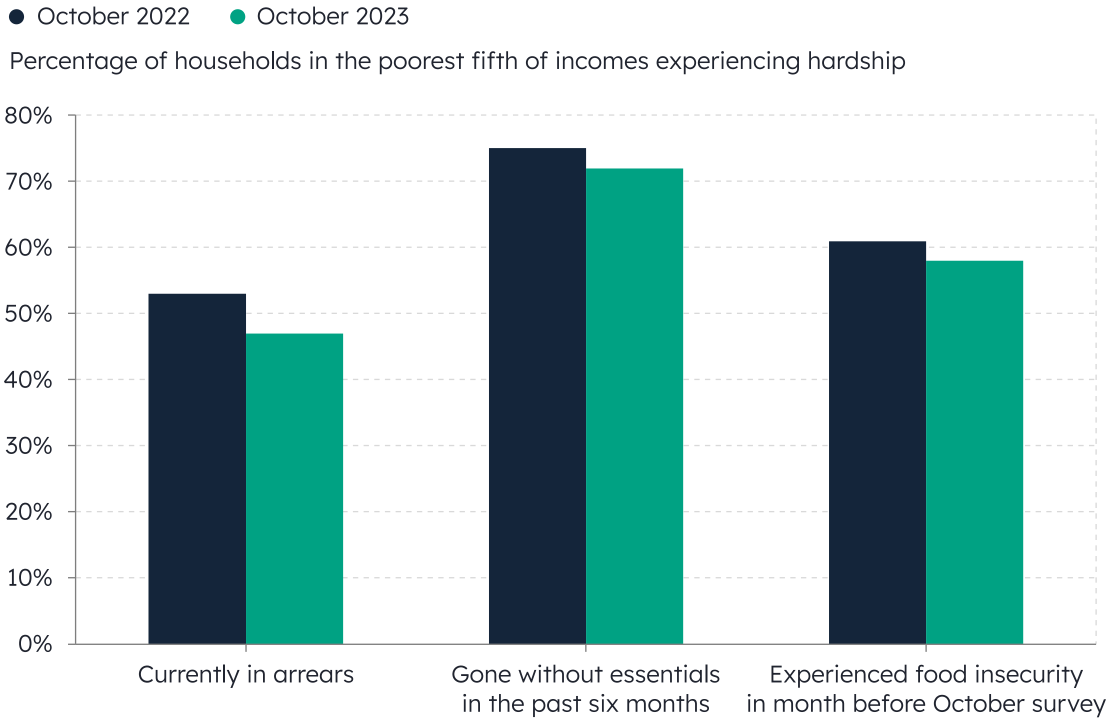
In October 2023, 4.2 million households on the lowest incomes reported recently going without essentials. This included going without heating, adequate clothing and furniture in the six months to October 2023 or not having enough money for food in the 30 days before October 2023. As we are now in winter, and the energy price cap rises once more, there is huge concern that those on the lowest incomes will not be able to afford to heat their homes, as around 3.7 million, or 63%, of low-income households reported not being able to afford to heat their homes during the cost-of-living crisis.

There has also been an impact on the lives of people in low-income households above and beyond their ability to afford essential costs. Half of people (51%) in households in the bottom fifth of incomes reported having to reduce socialising with friends and family due to cost, equivalent to people in 3 million households across the UK. Within this group, 16% of people who had reduced socialising reported that this was a new measure they had taken for the first time in the previous six months.

How has this changed over time?

There was a small degree of improvement between October 2022 and October 2023, likely because benefits were uprated in line with inflation in April 2023 and cost-of-living payments have been awarded to people on means-tested benefits. Nonetheless, the number of households across the UK struggling to make ends meet remains very high.

The proportions of low-income households experiencing different forms of hardship fell slightly between October 2022 and October 2023



Source: JRF cost-of-living tracker, Savanta ComRes, October 2023

Note: Low-income households are those whose equivalised income before housing costs is in the bottom 20% of household incomes across the UK.

The proportion of low-income households who reported being in arrears with their household bills or behind on scheduled lending repayments also fell slightly from 53% at the height of the cost-of-living crisis in October 2022. However, this figure increased by around a third in the two-year period between October 2021 and October 2023, from 36% to 47%.

Impact of higher interest rates

Interest rates began rising in early 2022, when the Bank of England first increased the Bank Rate. Between October 2022 and October 2023, the rate more than doubled, from 2.25% to 5.25%. These higher interest rates have not only increased the cost of borrowing, but they have also meant that lenders have tightened their borrowing criteria. This has made it harder for people – especially those in low-income households – to access loans because they now have to meet a higher affordability threshold. This is very difficult for families who are already struggling to keep pace with their bills, and whose low incomes have already been squeezed.

As such, it is not surprising that the proportion of low-income households holding loans has fallen across the majority of different types of loans – spanning from credit cards to overdrafts to loans from loan sharks and pawnshops. The proportion of households in the bottom fifth of incomes who applied for a loan but were declined rose from 28% to 33% in just six months from May 2023 to October 2023. While using credit to pay for your bills is not a financially desirable position, it has been an important lifeline to many. But with low-income families finding it more difficult to access credit, it looks like this is a lifeline that is increasingly at risk of being cut off.

What are the future prospects?

Although levels of inflation have recently fallen in the UK, they still remain well above the Bank of England's target rate and, even in October 2023, food inflation remained over 10%. While the uprating of benefits in line with inflation in April 2023, along with the lump-sum cost-of-living payments, have been welcome, they have been eaten up by large increases in the prices of energy, food and housing for many low-income families.

Looking ahead, the UK Government's decision to uprate benefits in line with inflation in April 2024, as normal, and remove the freeze on Local Housing Allowance (also in April 2024), is welcome. But even with the recently announced benefit uprating, it is likely that the levels of hardship described in this section will be maintained, rather than fall significantly.

The final cost-of-living payment to low-income households will be made in spring 2024, even though many low-income families will continue to need to cover increasing costs. With energy prices increasing by 5% in January 2024, rents continuing to grow, and the prices of essential goods such as food continuing to rise (albeit at a slower rate), many low-income families will struggle to cover these essential costs. As many low-income families have already been forced to take on debt to cover such costs, or have already fallen into arrears, their financial resilience has already been eroded and they face an increasing risk of experiencing poverty in the future.

How does this section interact with other sections?

The value of benefits, as well as of wages and the amount of work available to those in employment or seeking work, is crucial to ensure that low-income families can still afford essential costs in the face of high inflation.

While the cost-of-living crisis has affected all households, some low-income households face additional financial pressures that increase their risk of hardship even as inflation falls. This includes low-income households with additional expenditure needs, for example because someone in their household is disabled or they live in an area with high housing costs. Low-income households with no savings to use as a safety net will also struggle more if their incomes cannot cover increasing costs.

The pressures of meeting the rising costs of essential goods and services can cause stress and anxiety. It often means that families need to make cuts in other areas, which can also affect overall wellbeing. Not being able to pay bills and going without food, a warm home or toiletries have a significant impact on people's mental and physical health. It also makes it harder for children to participate at school, which may have a long-term impact on their future prospects.

Savings and debt

Why is this important?

Savings can help to provide a degree of financial resilience for households when unexpected expenses arise, or when there is a loss of income. Being able to draw down on savings can therefore help to prevent households from falling behind on bills, taking on additional debt to afford bills or expenses or going without essentials like enough food or a warm home. Too many households are currently grappling with negative budgets (where their income is not enough to cover their living costs), meaning that they do not have enough money for food and essential bills, let alone finding enough left over to save.

Conversely, people with a low household income but a large amount of savings or other forms of wealth may be classified as living in poverty based on their income alone. However, if they are able to live off these savings (either entirely, or to supplement earnings or other forms of income) then they may not experience the severe hardship faced by other people in poverty.

Falling behind on bills or going into debt can place huge stress on the mental wellbeing of a household, which can lead to depression, anxiety and a greater chance of strained or ended relationships with partners, family and friends. This is why it is important for households to have a buffer of liquid savings (savings that can be turned into cash quickly) to call on at short notice.

What's the headline story in the latest data?

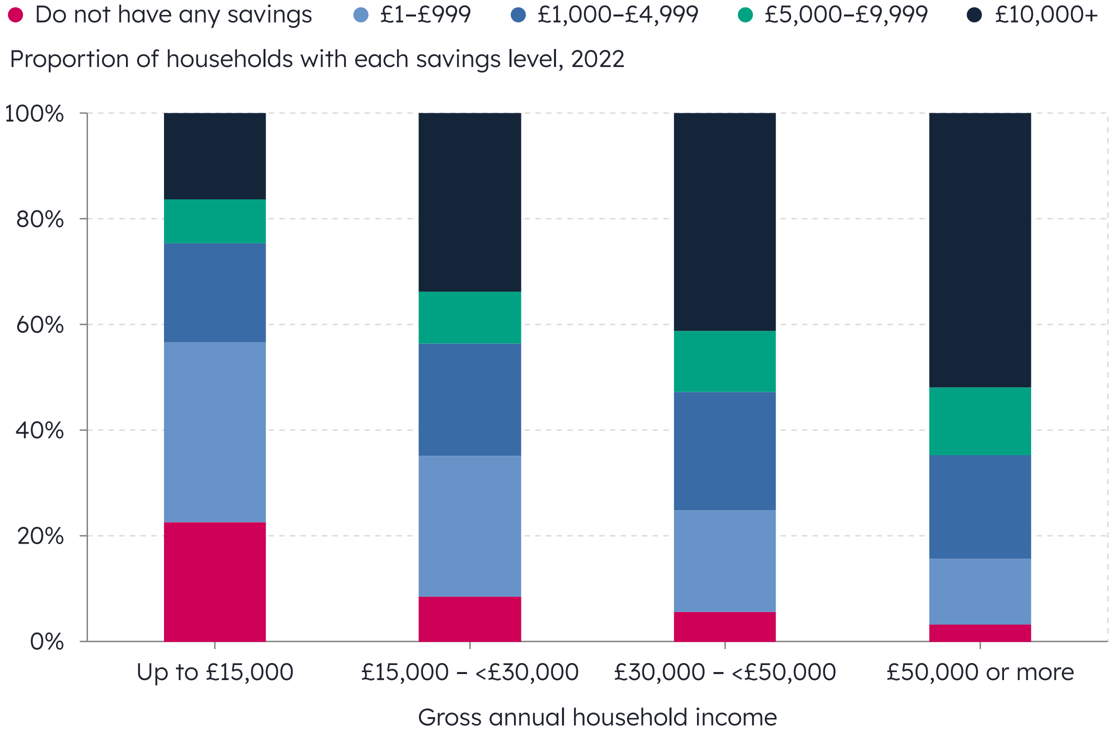
This analysis focuses on levels of savings and debt in households with a very low income, rather than strictly households in poverty. This is because we are limited in the lack of data, particularly up-to-date data, that allows us to investigate this. The main dataset used in this section is the Financial Conduct Authority's (FCA's) Financial Lives Survey (FLS). This collects data on household income, although it is not equivalised to take into account household size and composition as in the Households Below Average Income data. Its lowest household income category is set at £15,000 and under which, as shown in Annex 1, is very close to the poverty line for a couple with no children (£15,600). This means that it will encompass virtually all couples without children in poverty, but only some of the poorest larger families in poverty (who need a higher household income to be above the equivalised income poverty line) and some single adults not in poverty (who need a lower household income to be above the equivalised income poverty line). In JRF's cost-of-living tracker, we can assess an equivalised annual household income threshold of £14,600, and those on slightly higher incomes of £19,000 and below per year.

Savings

The latest data shows that households on very low incomes are disproportionately likely to hold low levels of savings or no savings at all. According to the FCA's Financial Lives Survey (Financial Conduct Authority, 2023), 11% of all UK adults had no savings in 2022. However, this rate varied significantly between respondents in low- and high-income households.

In 2022, 23% of adults living in households with an income below £15,000 a year reported having no savings. This fell starkly to 9% for those with an income of at least £15,000 but less than £30,000, and just 3% for those with an income of £50,000 or more. Therefore, the highest-income households were around seven times more likely to hold savings than the lowest-income households. Around six in ten of those with a household income below £15,000 a year had less than £1,000 in savings, compared with less than two in ten of those with incomes of £50,000 or more. The chart below highlights the stark differences in savings levels along the income distribution.

Households with annual incomes under £15,000 are around seven times more likely than households with incomes of £50,000 or more to have no savings at all



Source: Financial Lives Survey, 2022, FCA

In October 2023, JRF's cost-of-living tracker produced similar findings: 25% of UK households with a net annual equivalised household income below £14,600 a year (in the bottom income decile) reported having no savings at all.

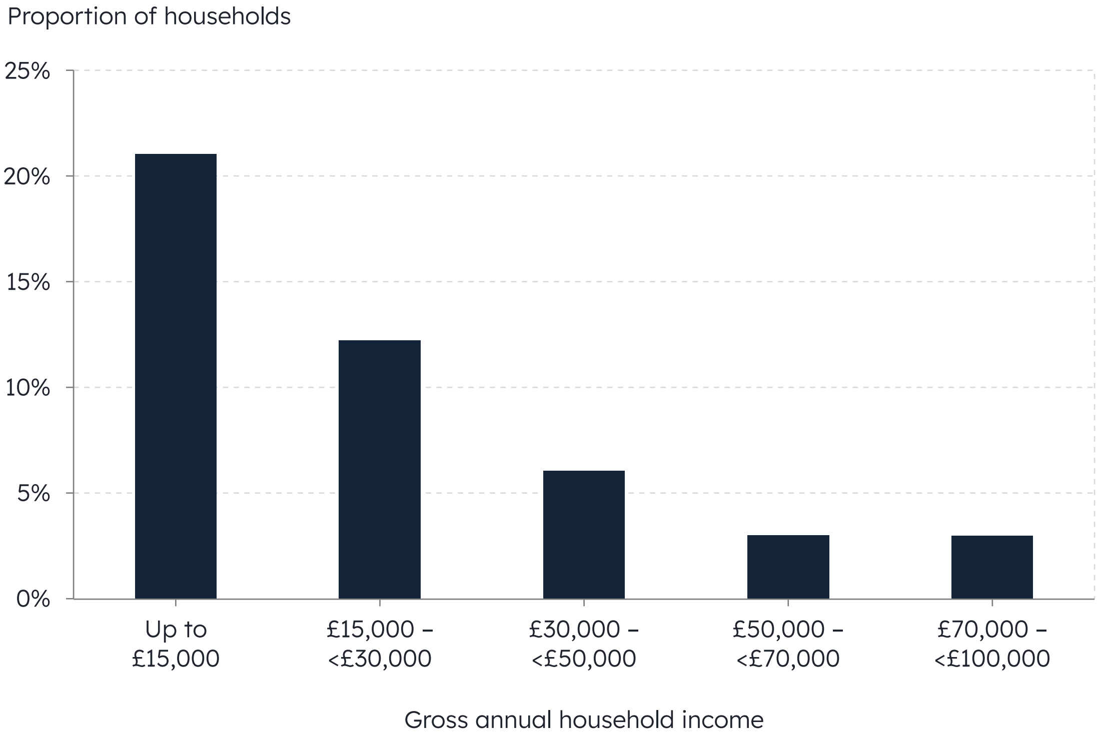
When we look at the wider group of people in the bottom 20% of net household incomes (with incomes under £19,000 net per year), we found that four in ten households (39%) reported having less than £200 in savings in May 2023, including 20% who had none at all. However, there were notable differences in the levels of household savings reported by different groups:

- Around two-thirds (69%) of all Universal Credit recipients had less than £200 in savings, with 41% having none at all.
- Around half (49%) of households with children had less than £200 in savings, compared with 33% for those without children.
- Around six in ten (62%) social renters had less than £200 in savings, compared with 56% of private renters, 33% of those with a mortgage and 19% of those who owned their home outright.
- More than half (57%) of Black respondents reported that their household had less than £200 in savings, compared with 42% of Asian respondents and 36% of white respondents.

Debt

Households on very low incomes are also more likely to be experiencing heavy burdens related to debt. In the FCA's Financial Lives Survey, around one in five households (21%) with incomes under £15,000 reported that they had fallen behind on or missed payments for credit commitments or domestic bills in at least three of the six months before May 2022. Unsurprisingly, the proportion of those experiencing this form of financial hardship fell significantly as household incomes increased, with just 3% of households with incomes of £50,000 or more experiencing this.

Households with annual incomes under £15,000 are around seven times more likely than households with incomes of £50,000 or more to have fallen behind on their bills in at least three out of the last six months



Source: Financial Lives Survey, 2022, FCA

The Financial Lives Survey also found that around four in ten households on incomes under £15,000 reported increased difficulties in keeping up with their bills and credit commitments between May 2021 and May 2022. This compares to around two in ten households on incomes of at least £50,000 but less than £100,000 – half the rate of those on the lowest incomes. This is, once again, unsurprising given that the lower your income the more likely you are to struggle to meet your expenses when their costs increase.

In October 2023, JRF's cost-of-living tracker showed a similar trend. Across all respondents in the bottom 20% of household incomes, 47% of people reported being in arrears (being behind on household bills or credit commitments) in October 2023, and half of this group (52%) were in arrears with three or more different bills. Within this, more than half (55%) of people in households in the bottom 10% of household incomes (with income under £14,600) were in arrears on at least one bill or credit commitment. This fell to 39% of those in the second lowest 10% of household incomes (with a household income between £14,600 and £19,000) and 34% of those in the third lowest 10% of household incomes (with a household income between £19,000 and £26,000).

Similar to the savings picture outlined above, while all households in the bottom 20% of incomes faced poorer outcomes, some groups in this income bracket were faring even worse than others:

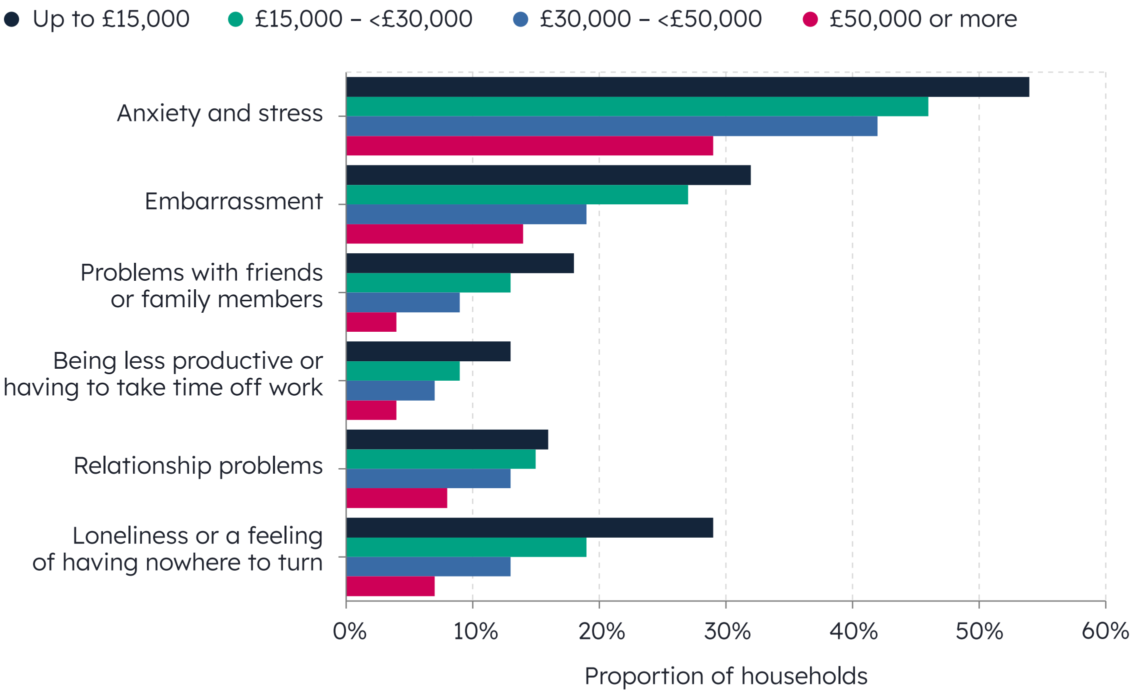
- Around seven in ten (69%) of all Universal Credit recipients were in arrears with at least one household bill. Within this group, 50% of those in arrears were behind with three or more bills or commitments.
- More than seven in ten households with children (71%) were in arrears with at least one household bill, with 55% of those in arrears being behind with three or more bills or commitments.
- More than six in ten mortgage holders (63%) were in arrears with at least one household bill, closely followed by 58% of private renters and social renters, compared with just 25% of those who owned their home outright.
- Around three-quarters of respondents with mixed ethnicity (73%) were in households in arrears with at least one household bill, as were 69% of Black respondents. This compares to 61% of Asian respondents and 42% of white respondents.

Furthermore, more than a fifth of households (22%) in the bottom 20% of incomes reported having taken on a loan or used credit to pay for essential bills such as rent and energy between April 2021 and October 2023. Within these households, this was even higher among Black respondents (41%), 18–34 year olds (31%) and families with children (33%). It also varied by housing tenure, at 32% for mortgage holders, 27% for private renters and 24% for social renters.

But even taking on these loans has not helped to prevent many of these households avoid arrears. In fact, 80% of those who used a loan to pay their bills were still in arrears, and 63% of this group were in arrears with three or more bills. They were also not escaping going without essentials – 94% of those taking out loans to pay their bills also reported going without at least one essential, such as food, a warm home or adequate clothing for the weather, in the six months before the survey.

Finally, the impact that going into debt has on a household can be significant. The Financial Lives Survey found that people in households on low incomes were disproportionately more likely to feel anxious, stressed and embarrassed, have relationship problems with friends and family members, be less productive at work or to take time off, experience loneliness and feel like there is nowhere to turn as a result of holding debt. Holding debts where repayments can take up a significant proportion of your income can be enormously stressful. As we have shown above, this is particularly the case for households who need to rely on debt to meet their basic needs, including the 27% of those in the bottom 20% of incomes who hold a loan with a loan shark, payday lender, doorstep lender or pawnshop, often at very high interest rates.

Households with annual incomes under £15,000 are more than twice as likely as households with incomes of £50,000 or more to be experiencing anxiety and stress as a result of holding debt



Source: Financial Lives Survey, 2022, FCA

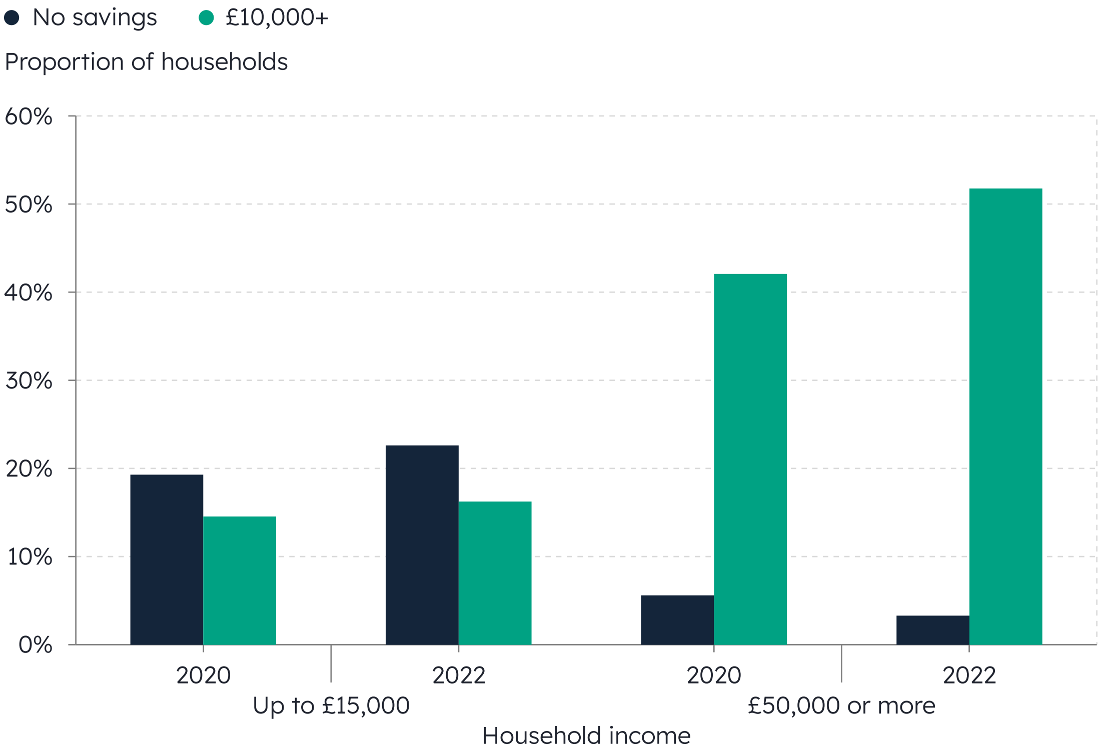
How has this changed over time?

Savings

Throughout the Covid-19 pandemic, the average level of savings across Britain increased. However, this did not hold true for all households, with those on the lowest incomes least likely to be able to build a safety net of savings. This is unsurprising, as low-income households were disproportionately more likely to have lost work, to have been furloughed or to have used up savings to meet their bills. The Bank of England's survey of household finances in 2022 found that households who had been able to maintain their expenditure through the cost-of-living crisis were primarily able to do so by drawing down on savings (Bank of England, 2022). But of course, many low-income households did not have savings available for this.

In the Financial Lives Survey, the proportion of low-income households (with incomes less than £15,000 a year) who had no savings at all actually increased from 19% in 2020 to 23% in 2022. In contrast, this halved from 6% to 3% for those with household incomes of £50,000 or more. Conversely, the proportion of households with incomes less than £15,000 who had savings of more than £10,000 stayed around the same, while this increased by 10 percentage points, from 42% to 52%, for households with incomes of £50,000 or more a year.

Higher-income households managed to increase their savings levels through the pandemic, while those on the lowest incomes did not



Source: Financial Lives Survey, 2022, FCA

Debt

Households across the income distribution are finding it increasingly difficult to keep up with their bills and credit commitments, but this is proving particularly hard for low-income households. The Financial Lives Survey found that there was a large increase in the proportion of households with incomes under £15,000 who said that they found keeping up with their bills a heavy burden, from 20% to 31%, between 2020 and 2022. There were also – albeit smaller – increases across the rest of the income distribution, further emphasising the squeeze on incomes that rising costs have had.

There has been a huge rise in the proportion of households on incomes under £15,000 that have found keeping up with their bills a heavy burden, compared with a much smaller rise for higher-income households

Source: Financial Lives Survey, 2022, FCA

The Financial Lives Survey also found that, in 2022, nearly four in ten households with incomes under £15,000 a year said it had become a lot more of a burden to keep up with their bills over the previous 12 months. This was around two and a half times more than the rate of 15% from 2020. But every income group has seen a big increase, as rising prices squeeze incomes. Even for those with household incomes of at least £50,000 a year, 21% reported their bills being a lot more of a burden, compared with just 5% in 2020.

What are the future prospects?

As interest rates rise, those who have savings and are able to put money aside each month will see their financial stability improve, whereas those who have had to turn to debt or have fallen behind on bills because of affordability constraints will continue to struggle.

JRF's cost-of-living tracker found that 33% of households in the bottom fifth of incomes have been refused a loan or a type of credit during the cost-of-living crisis. As interest rates rise, lending becomes more expensive and the threshold for meeting lenders' requirements rises, the proportion of households on the lowest incomes who can access affordable credit will fall. Our tracker also found that the proportion of low-income households taking on loans, and the amount of debt they hold, has fallen. While using loans to ensure you can pay your bills and buy your essentials is not an ideal situation, it can be a lifeline for many on low incomes, and tightening lending conditions and otherwise tight budgets mean many families could struggle further financially to make ends meet.

How does this section interact with other sections?

Living in poverty affects people's ability to build up, and sustain, household savings and increases their risk of getting into problem debt. This is worsened further when the cost of living – and so the prices of essentials such as housing, energy and food – rises.

Furthermore, the stress caused by low savings and debt can contribute to mental health issues, with people who are behind on bills or have low levels of savings more likely than more-financially resilient people to report indicators of mental distress.

Food insecurity

Why is this important?

Food is an essential human need. If people are living in food insecurity, because they are unable to afford enough nutritious and varied food, or because there is a risk of this, their health and wellbeing will suffer. This will have knock-on effects in other areas of their life, such as their ability to work, which can lead to a vicious cycle.

People living in food-insecure households are more likely to develop a range of physical and mental health conditions (Bash, 2023). Food insecurity can be particularly detrimental for children, since an inadequate diet can impede their physical, cognitive and emotional development, leading to poorer educational attainment and depriving them of a fair start in life. These effects can take place even before the child is born: children are at a higher risk of premature delivery, low birthweight and slow cognitive development if their mother experienced food insecurity during pregnancy.

Since the ability to afford food is determined by prices as well as income, food insecurity has become especially critical during the cost-of-living crisis. Indeed, increases in the cost of essentials, including food, have driven increases in the overall price level. Lower-income households are more exposed to these increases as they tend to spend a higher proportion of their income on essentials.

What’s the headline story in the latest data?

Around one in six people in poverty (17%) were food insecure in 2021/22, meaning they were either not able to afford enough food, were at risk of this or could not afford enough nutritious food for a healthy and varied diet (full details of how food security is measured in the Family Resources Survey can be found in the box below). This represents around 2.4 million individuals. In comparison, only 4% of individuals who were not in poverty were food insecure.

The experience of food insecurity is widespread among people on low incomes, but its prevalence appears to grow the worse off people are. Research by Heriot-Watt University for JRF found that a majority (61%) of people who experienced destitution – the severest form of hardship – lacked food in 2022 (Fitzpatrick et al, 2023). JRF's cost-of-living tracker found that in the 30 days before being surveyed in October 2023, six in ten households in the bottom fifth of incomes (58%) had either cut down on or skipped meals, or gone hungry because there was not enough money for food. That is 3.4 million households in the bottom fifth of incomes going without the food they need. The prevalence of food insecurity in the UK is also reinforced by other work such as polling by The Food Foundation (2023).

The food security status of individuals in poverty after housing costs, 2021/22

Household food security status	In poverty		Not in poverty		Poverty rate by food security status
	(%)	(millions)	(%)	(millions)	(%)
High	71	10.2	91	47.1	18
Marginal	12	1.7	4	2.1	44
Low	9	1.2	2	1.2	51
Very low	8	1.2	2	1.1	53
Food secure	83	11.8	96	49.2	19
Food insecure	17	2.4	4	2.3	52
All	100	14.2	100	51.4	22

Source: Households Below Average Income, 2021/22, DWP

Note: Shared households are excluded from household food security tables. Figures may not sum due to rounding.

Food security questions in the Family Resources Survey

In the Family Resources Survey, the respondent is read three statements about food security and asked whether the statement was 'often true', 'sometimes true' or 'never true' for them in the last 30 days.

1. [I or we] worried whether our food would run out before [I or we] got money to buy more.
2. The food that [I or we] bought just didn't last, and [I or we] didn't have money to get more.
3. [I or we] couldn't afford to eat balanced meals.

Unless all three questions are answered as being 'never true', the respondent is then asked the following questions:

4. Did you (or other adults in your household) skip or cut meals because there wasn't enough money for food? How many days did this happen?
5. Did you (or other adults in your household) ever eat less than you felt you should because there wasn't enough money for food?
6. Were you (or other adults in your household) ever hungry but didn't eat because there wasn't enough money for food?
7. Did you (or other adults in your household) lose weight because there wasn't enough money for food?
8. Did you (or other adults in your household) ever not eat for a whole day because there wasn't enough money for food? How many days did this happen?

From the questions, a 10-point household score is generated. One point is scored for each 'positive' answer, that is, answers of 'often true', 'sometimes true' and 'yes' (with an additional point if '3 days or more' is selected for the second part of questions 4 and 8).

High food security (score = 0): the household has no problem, or anxiety about, consistently accessing adequate food.

Marginal food security (score = 1 or 2): the household had problems at times, or anxiety about, accessing adequate food, but the quality, variety and quantity of their food intake were not substantially reduced.

Low food security (score = 3 to 5): the household reduced the quality, variety and desirability of their diets, but the quantity of food intake and normal eating patterns were not substantially disrupted.

Very low food security (score = 6 to 10): at times during the past 30 days, eating patterns of one or more household members were disrupted and food intake reduced because the household lacked money and other resources for food.

Food-secure households are those with a high or marginal food security status.

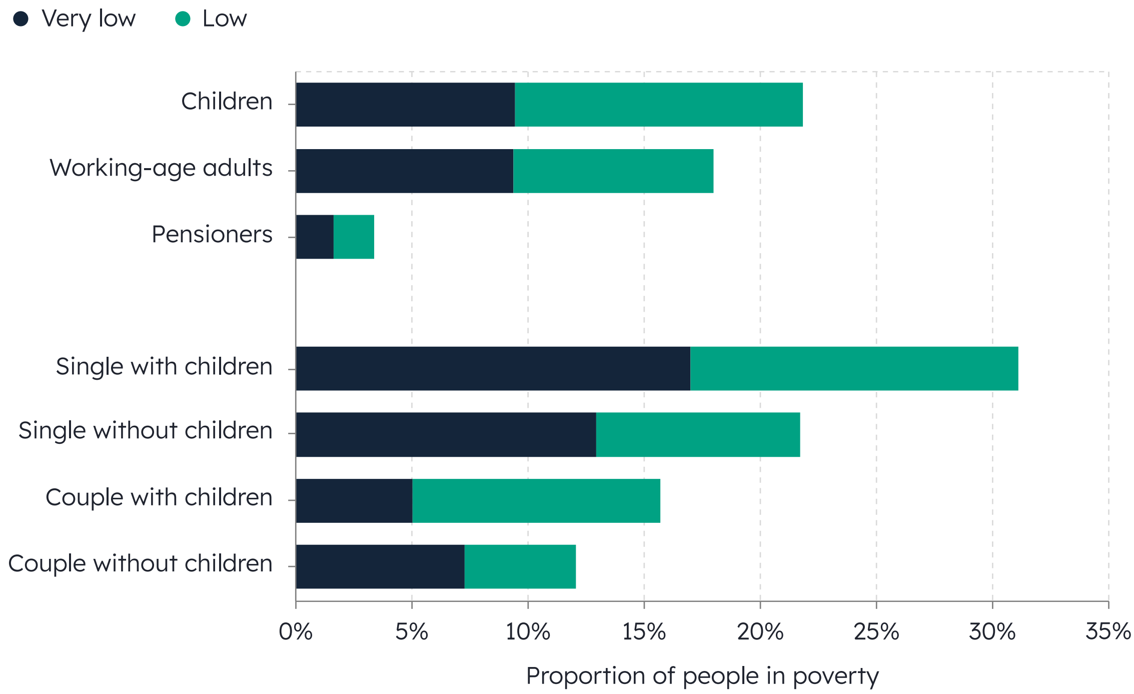
Food-insecure households are those with a low or very low food security status.

The prevalence of food insecurity varies between different groups of people in poverty. In 2021/22, more than one in five children in poverty (22%) experienced insecurity, compared with 18% of working-age adults. But both children and adults were equally likely to experience very low food security (9%). Meanwhile only 3% of pensioners in poverty were food insecure.

Comparing family types, people in poverty in lone-parent families were the most likely to experience food insecurity. Three in ten people in lone-parent families in poverty (31%) were food insecure, although single adults without children also had an elevated risk (22%) compared with equivalent couple households (12%).

Children and people in lone-parent families face a higher risk of being in poverty than other groups. The fact that these groups are more likely to be food insecure, even when looking at people in poverty alone, indicates that they experience an additional degree of hardship that is not captured in the headline poverty statistics.

Among people in poverty, food insecurity is most common among children and people in lone-parent families



Source: Households Below Average Income, 2021/22, DWP

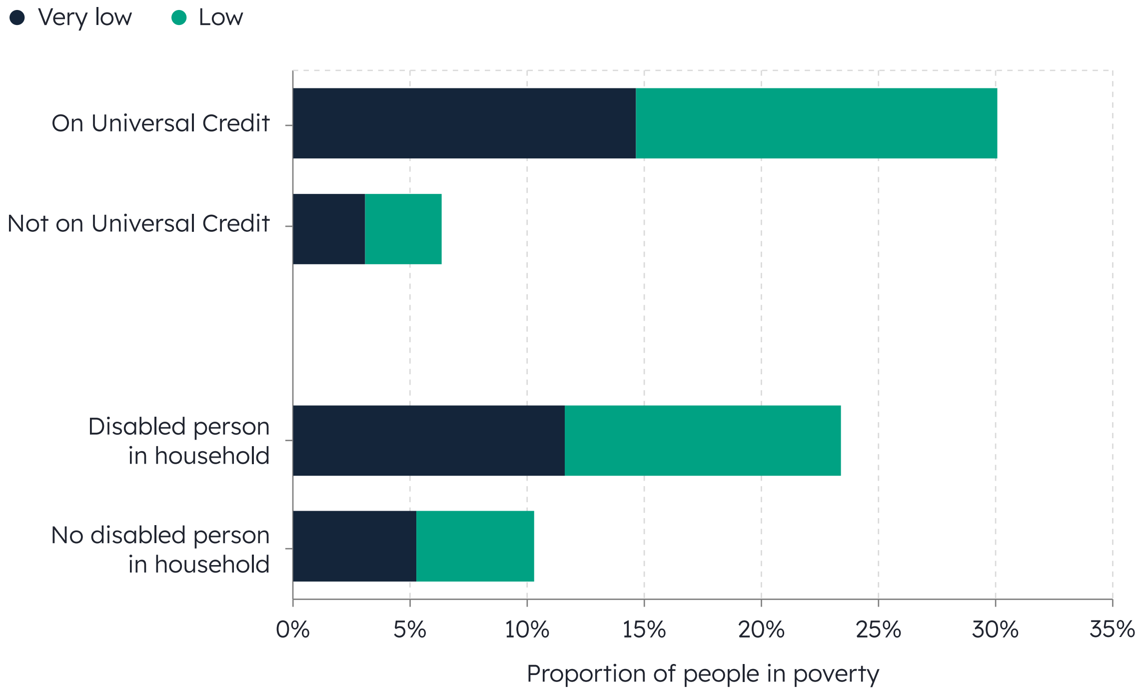
Note: Shared households are excluded from household food security tables.

People in households receiving means-tested benefits are also more likely to be food insecure, with 30% of people who are in poverty and on Universal Credit or legacy benefits facing food insecurity in 2021/22. This was five times the rate of those who were in poverty but not on Universal Credit or legacy benefits (6%). More recently, JRF's cost-of-living tracker found that three-quarters of households in the bottom fifth of incomes who were on Universal Credit (76%) reported cutting back on food or going hungry in the previous 30 days, compared with an average of 58% across all low-income households.

This highlights how the UK's benefits system is failing to ensure a basic standard of living. Not only is the basic rate of benefits insufficient to cover the cost of essentials, but there are also a number of policies and design features that can leave recipients with a shortfall of cash with which to buy adequate food. These include the five-week wait for the first Universal Credit payment, deductions from Universal Credit to pay off debts and arrears, freezes to Local Housing Allowance rates (which are planned to be frozen again after being reset to the 30th percentile of rents in April 2024) and the social sector size criteria (also known as the 'Bedroom Tax') (Schmuecker and Bestwick, 2023).

Disabled people and their families in poverty also face elevated risks of food insecurity. More than two in ten people living in a household with someone who is disabled (23%) faced low or very low food insecurity in 2021/22, compared with one in ten people in poverty with no one disabled in the household (10%). JRF's cost-of-living tracker reinforces this finding, with 64% of households in the bottom fifth of household incomes with a disabled member cutting back on food or going hungry in October 2023. Disabled people are less likely to be in paid work and more likely to be on benefits. They can also face additional, disability-related costs, which disability benefits are intended to cover. However, the quality of disability assessments and the lengthy application process for these benefits can result in shortfalls (Schmuecker and Bestwick, 2023). Even when people are in receipt of these benefits, their entitlement may not cover all of their disability-related costs and they may need to cut back in other areas to pay for these.

Among people in poverty, those on Universal Credit and those with a disabled person in the household are more likely to experience food insecurity



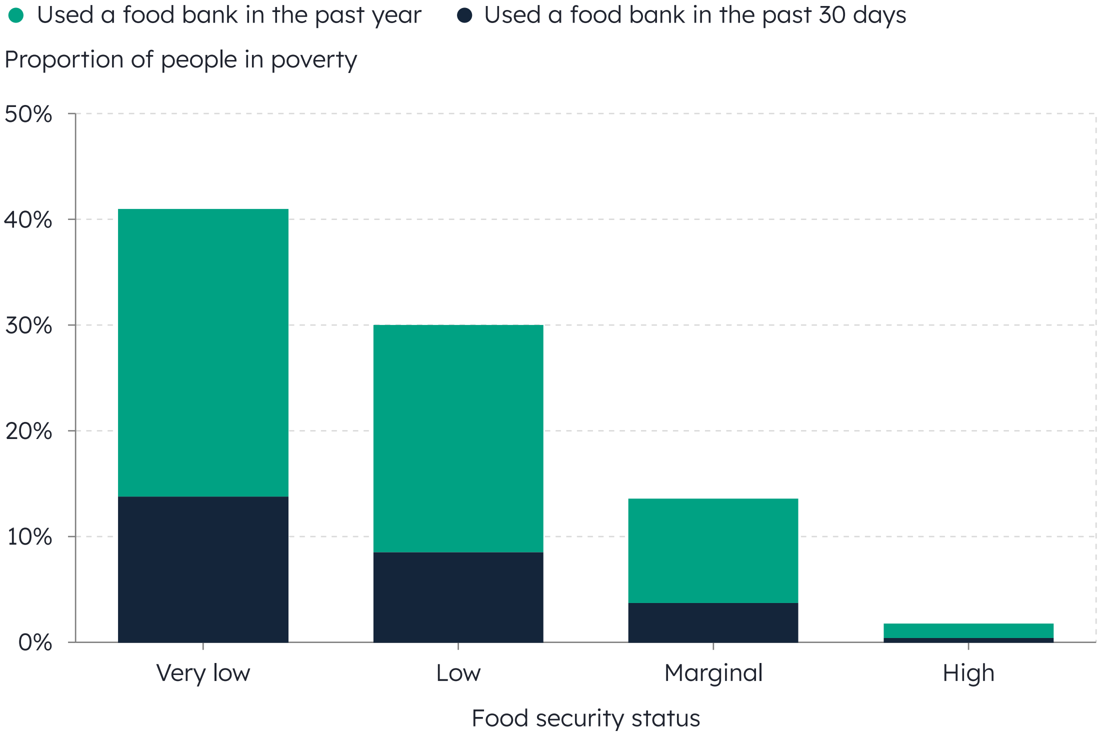
Source: Households Below Average Income, 2021/22, DWP

Note: Shared households are excluded from household food security tables. Universal Credit includes legacy benefits. The poverty measure used to compare people with and without a disabled person in the household excludes disability benefits from household income as these are designed to cover the additional costs associated with having a disability.

The latest poverty statistics contain information on food-bank use for the first time. In 2021/22, around 400,000 people in poverty had used a food bank in the previous 30 days, and 1.3 million had used one in the previous 12 months. Unsurprisingly, there is a strong relationship between food insecurity and the use of food banks: 14% of people in poverty facing very low food security had used a food bank in the previous 30 days and 41% had used one in the previous year. By contrast, among those with high food security, less than 1% had used a food bank in the previous 30 days and 2% had used one in the previous year.

At the same time, it is possible that some people facing marginal food security would have fallen into low food security if they did not have access to a food bank and some facing low food security may have fallen into very low food security. If food insecurity is defined as not being able to afford food in a socially acceptable way, anyone who needs to use a food bank can be considered food insecure, even if they do not appear as such in the official data.

Among people in poverty, those in food-insecure households are more likely to use food banks

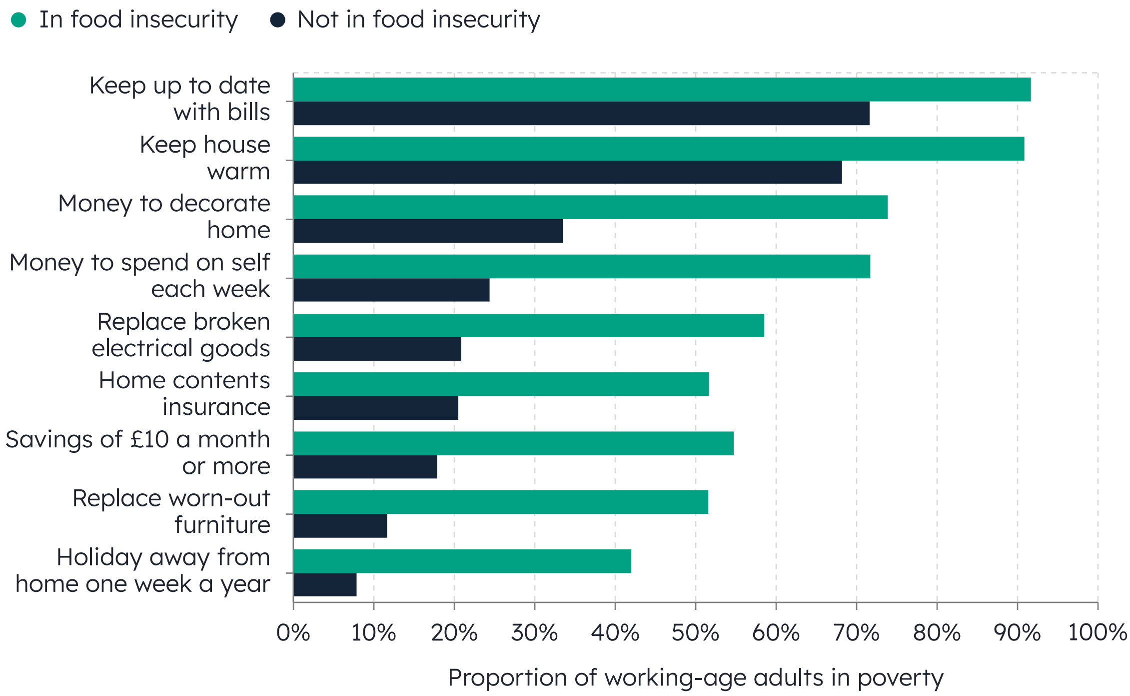


Source: Households Below Average Income, 2021/22, DWP

Note: Shared households are excluded from household food security tables. The number of people who used a food bank in the past 30 days is subtracted from the number of people who used a food bank in the past year.

Being in food insecurity tends to be associated with lacking other items in addition to food. The chart below shows the proportion of working-age adults in poverty who reported having an item, depending on whether they were or were not in food insecurity. People in poverty often lack particular items, even if they are not experiencing food insecurity, but this is particularly pronounced among those who are food insecure. For example, whereas more than half (52%) of people in poverty who were not food insecure were able to replace worn-out furniture, only around one in eight (12%) of those who were food insecure were able to do so. These findings echo more recent data from JRF's cost-of-living tracker, which found that 78% of households in the bottom fifth of incomes who were going without other essentials were also going without food in the six months before October 2023.

People in poverty who experience food insecurity are cutting back on other items too



Source: Households Below Average Income, 2021/22, DWP

Note: Shared households are excluded from household food security tables.

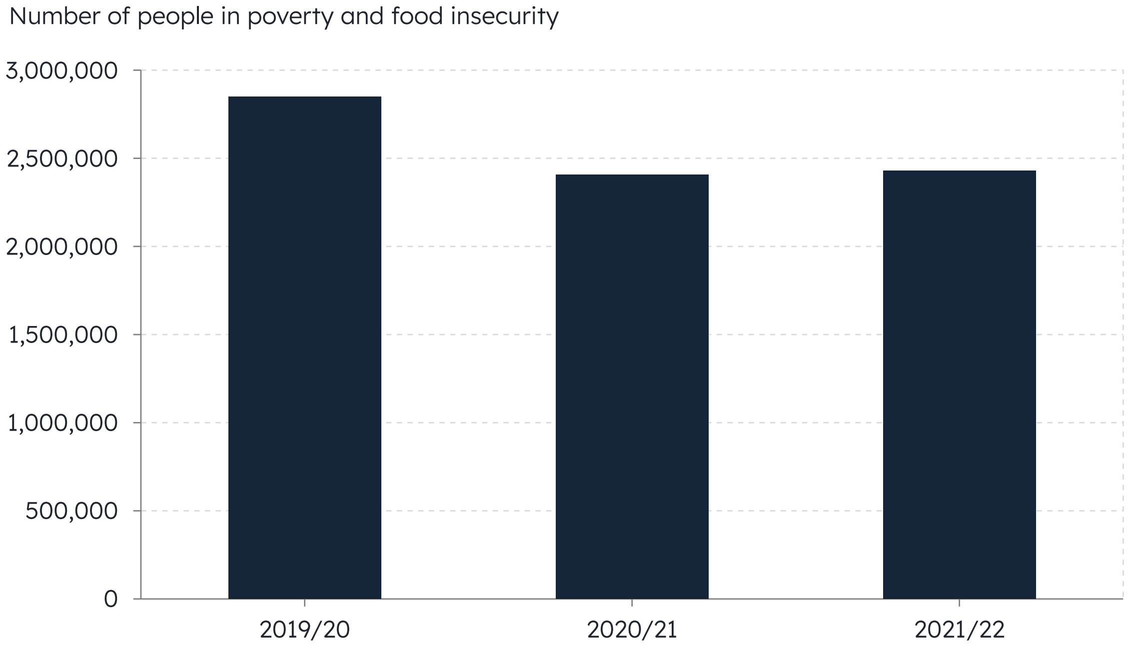
Since the ability to afford food is determined by prices as well as income, food insecurity has become especially critical during the cost-of-living crisis. Since this data was collected, increases in the cost of essentials, including food, have driven increases in the overall price level. Between April 2022 and October 2023, prices of food and non-alcoholic beverages grew by 21%, more than any other broad category of consumer goods and services and more than twice the rate of increase in consumer prices overall (10%).

Lower-income households are more exposed to these increases as they tend to spend a higher proportion of their income on essentials. In 2020/21, food and non-alcoholic drinks made up 15% of household spending among the poorest 20% of households (compared with 9% among the richest 20%). The only category that made up a greater proportion of low-income households' spending was housing, water and electricity. Given soaring inflation, they will inevitably have faced deeper hardship since 2021/22.

How has this changed over time?

We now have three years of official data on food insecurity. Among people in poverty, the number of people who are food insecure remained at around 2.4 million between 2020/21 and 2021/22, after a fall from 2.8 million in 2019/20. It remains to be seen whether the fall was related to the Covid-19 pandemic and, if so, whether it has reversed in the period since the latest published data.

The number of people in poverty who are food insecure has remained at around 2.4 million

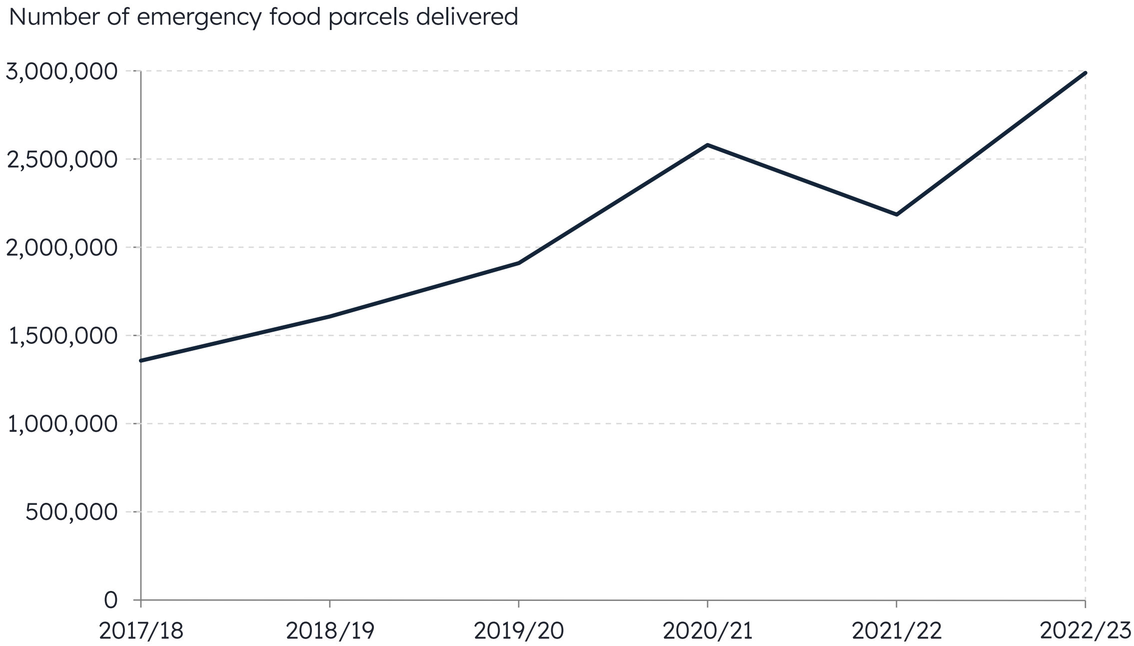


Source: Households Below Average Income, 2021/22, DWP

Note: Shared households are excluded from household food security tables.

The data indicates that food insecurity has likely worsened since 2021/22 as the cost-of-living crisis continues and food prices play a more central role. Food banks in the Trussell Trust network distributed around 3.0 million emergency parcels across the UK in 2022/23, more than one million of which were for children (The Trussell Trust, 2023). This was the largest number on record and represented a 37% increase since 2021/22. The magnitude of changes varied across the UK, but the increase was widely shared, with more than 90% of local authorities seeing increases in the number of parcels distributed. Since records began in 2017/18, the number of food parcels distributed in the Trussell Trust network has more than doubled. Research shows that these increases are directly related to inadequacies in the social security system, which are leaving more and more people with no choice but to rely on food banks and other charitable responses (Fitzpatrick et al, 2023).

The number of emergency food parcels delivered in the Trussell Trust network has more than doubled over the past five years



Source: Trussell Trust end-of-year statistics

This pattern is mirrored in data collected in JRF's cost-of-living tracker, which found that the number of households in the bottom fifth of incomes that cut back on food or went hungry in October 2023 was 58%. Furthermore, the proportion of destitute households that lacked food increased from 57% in 2019 to 61% in 2022, at the same time as the total number of destitute households increased by nearly two-thirds (Fitzpatrick et al, 2023).

What are the future prospects?

There is no reason to believe that food insecurity will abate in the near future without significant interventions to address it. Even though inflation, and the rate of the increase in the prices of food and non-alcoholic beverages, have been falling since March 2023, they still remain much higher than the Bank of England's target rate. Prices overall increased by 4.6% in the year to October 2023, but the price of food and non-alcoholic beverages increased by 10.1% over the same period (Office for National Statistics, 2023a). Even when inflation settles at a lower rate, prices themselves will remain high.

Benefits will be uprated by inflation in April 2024. However, benefits will still not rise as quickly as the cost of food, which has risen higher than the headline inflation rate and represents a larger proportion of income for low-income households. Furthermore, the various features of the social security system that actively contribute to food insecurity – such as the five-week wait for Universal Credit, deductions and sanctions – remain in place. The end of the cost-of-living payments for low-income households in April 2024 and the lack of an energy bill rebate over the winter are also likely to push more households into food insecurity.

There continues to be no UK Government strategy to tackle food insecurity, despite the fact that millions of people are unable to afford adequate diets, although the Scottish Government recently introduced its own approach. The rapid and continual increase in the use of food banks is unsustainable and shows that we are currently heading in the wrong direction.

How does this section interact with other sections?

Food insecurity is closely linked to poverty and the cost of living. As high inflation makes food even more unaffordable for people on low incomes, it is disproportionately experienced by people on benefits and people living in households with at least one disabled person. In turn, it can lead to, or exacerbate, poor physical and mental health and, as it is linked to cognitive ability, it can also make it harder for children to concentrate at school and lead to poorer educational attainment.

Health and poverty

Why is this important?

The circular relationship between health, income and deprivation is long established. Poorer health generally reduces the possibility of better life outcomes and opportunities. It can restrict employment prospects, reduce earnings and bring on additional living costs associated with long-term illness and disability that must somehow be met. In turn, these can lead to living in deprivation, low income and poverty.

People in poverty or those living in deprived areas with one or more health conditions are less likely to be able to access health-promoting services or assets such as better housing. All people living in poverty, whether they have existing health conditions or not, suffer extra stresses on day-to-day decisions that can cause or exacerbate long-term conditions – perpetuating the poor-health poverty loop.

Health has likely become even more closely linked with poverty given the impact that Covid-19 had on people on low incomes and those living in areas with higher levels of deprivation. However, much of the data used in this report does not cover the time since the pandemic. This means that the full impact of the pandemic on people in poverty cannot be understood fully from this year’s report.

What’s the headline story in the latest data?

Among working-age adults, people living in poverty are more likely to suffer from poor health; in 2021/22, 16–34 year olds, 35–49 year olds and 50–64 year olds in poverty were all around one-and-a-half times more likely to be in poor health than those not in poverty in the same age group. The gap decreases for older age groups: 46% of people aged 65 and over in poverty were in poor health compared with 42% of those not in poverty. These differences are probably driven by multiple factors, including the availability and uptake of health screening and the longer life expectancy of higher-income households who may nevertheless have health issues towards the end of their life.

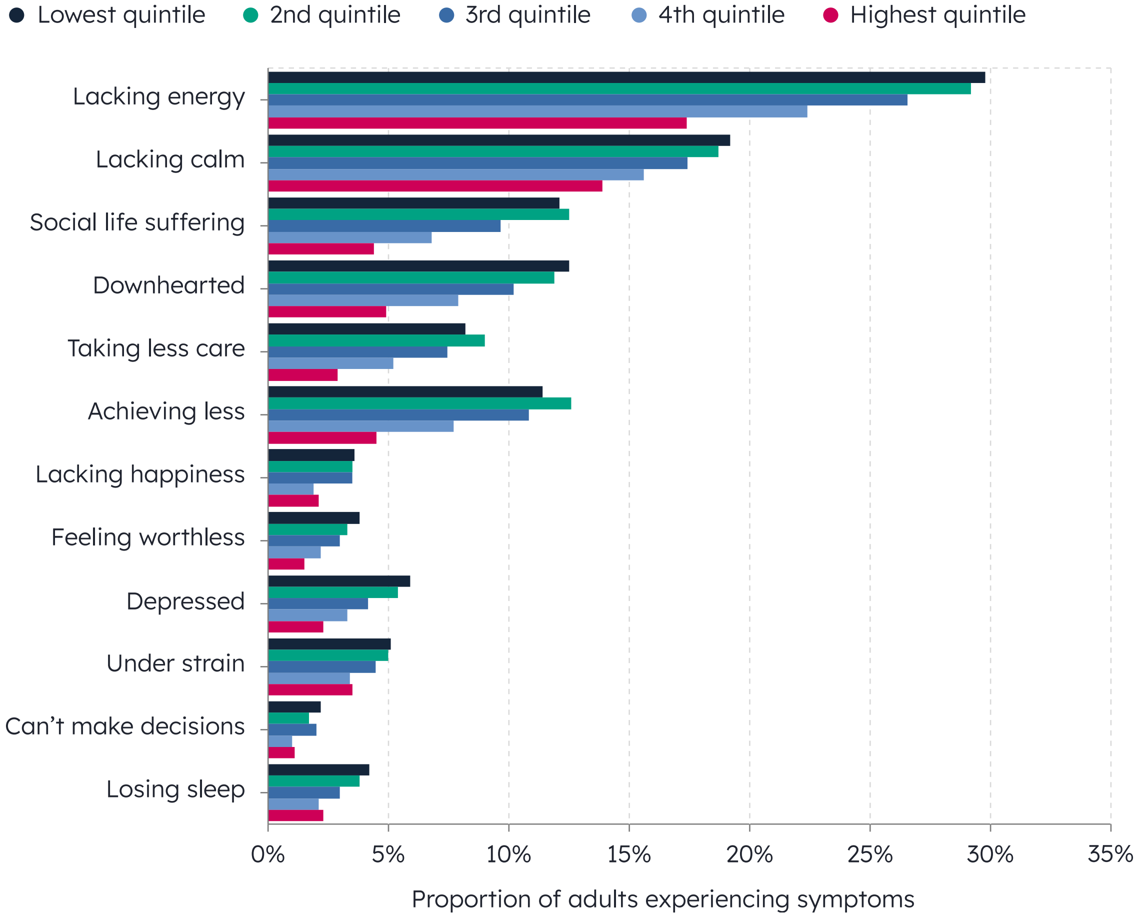
Percentage of adults living in less than good health by poverty status and age range

Age range	In poverty (%)	Not in poverty (%)
16–34	25	16
35–49	37	22
50–64	48	32
65+	46	42

Source: JRF analysis of Family Resources Survey/Households Below Average Income, 2021/22

These patterns are also seen in mental health outcomes. Individuals in the lowest household income quintile (calculated before housing costs) were more likely to experience symptoms of anxiety than those with higher household incomes. For example, 30% of people in the poorest fifth of households reported lacking energy compared with 17% in the richest quintile, 6% reported feelings of depression compared with 2% in the richest quintile and 4% reported losing sleep compared with 2% in the richest quintile (Clark and Wenham, 2022).

The lower a person's income, the more likely they are to experience a symptom of anxiety



Source: JRF analysis of Understanding Society, 2021/22 (Institute for Social and Economic Research, 2023)

Health inequalities exist from birth and continue through an individual's life. As shown in last year's UK Poverty report, female life expectancy for those living in the 10% least deprived areas in England in 2018/20 was, on average, eight years more than that for those in the 10% most deprived areas (Office for National Statistics, 2022a). The male life expectancy gap was even greater (10 years).

In Scotland, these differences are more pronounced: male life expectancy in the most deprived areas is 13.7 years less than in the least deprived areas, while the gap in female life expectancy is 10.5 years shorter (National Records of Scotland, 2022a).

In Wales and Northern Ireland, data comparing the 20% most and least deprived areas also shows gaps in life expectancy. These gaps are smaller than those in England and Scotland, although this is probably due – at least in part – to the larger groups, covering a wider range of deprivation levels, being compared. In Wales, female life expectancy (measured in 2018–20) in the least deprived 20% of areas was 6.3 years longer than in the most deprived areas, and male life expectancy was 7.5 years longer (Office for National Statistics, 2022b). In Northern Ireland, the female life expectancy gap between the least and most deprived 20% of areas is 5.1 years and the male life expectancy gap is 7.3 years (Northern Ireland Statistics and Research Agency, 2023a).

The same pattern emerges when comparing the healthy life expectancy of people in the most and least deprived areas of England. On average, a female living in the least deprived areas will spend 82% of their life in good health, compared with 66% for a female living in the most deprived areas. Given the shorter life expectancy of women from deprived areas, this equates to 19 years fewer lived in good health. For a male, this gap is 18 years; a male born in the most deprived areas will live in good health for just 71% of their life compared with 85% for those in the least deprived area (Office for National Statistics, 2022a).

In Scotland, the gaps in healthy life expectancy are once again larger; a female living in the least deprived areas of Scotland will live 85% of their life in good health, compared with 65% living in the most deprived areas, while a male living in the least deprived areas will spend 85% of their life in good health compared with 68% living in the most deprived areas (National Records of Scotland, 2022b). This means that both men and women in the most deprived areas of Scotland are expected to have 24 fewer years in good health than their counterparts in the least deprived areas (National Records of Scotland, 2022b). When comparing the 20% most and least deprived areas in Wales and Northern Ireland, the healthy life expectancy gap is 13.4 years for males and 16.9 years for females in Wales (Office for National Statistics, 2022b) and 11.2 years for males and 15.1 years for females in Northern Ireland (Northern Ireland Statistics and Research Agency, 2023b).

There is evidence to suggest that the above health inequalities mean that people in poverty require additional support from the medical services provided by the NHS. For example, we found, using Understanding Society, that people in poverty are more likely to need to visit their general practitioner (GP) more frequently than those not in poverty. After controlling for demographic factors that are associated with the likelihood of someone needing to visit their GP (age, health, sex, ethnicity and the depth of deprivation of the area they live in), people in poverty were found to be 11% more likely than those not in poverty to visit their GP six or more times a year. In addition to what this says about the health of people in poverty, it also highlights how poverty is putting pressure on the UK's services and institutions, such as the NHS. Based on this concern, JRF will be working with The King's Fund in the coming months to find out more about the impact of poverty on the NHS.

How has this changed over time?

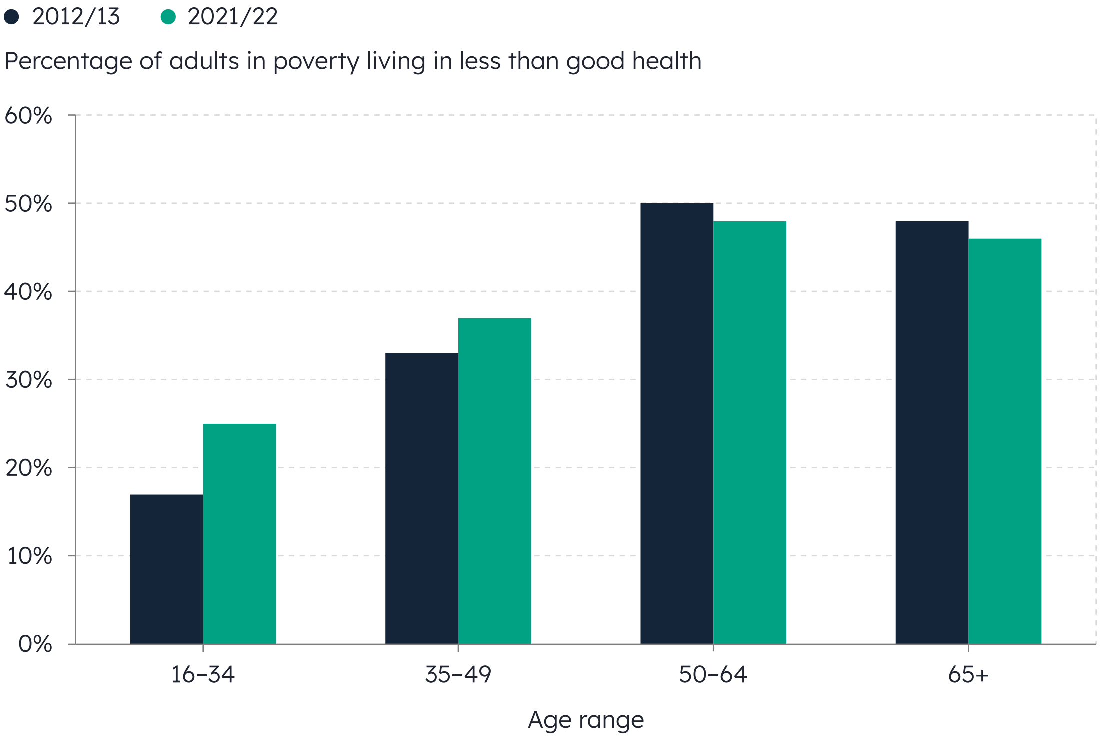
Since life expectancy estimates were first made available by level of deprivation in 2011, the life expectancy of those living in the most deprived areas of England has never been lower. This is the case for both females and males, with the latest figures yet to fully encompass the Covid-19 pandemic. In 2018–20, females were expected to live, on average, for nine fewer months and males for four fewer months than they had been in 2011–13. In contrast, the life expectancy of both men and women living in less deprived areas increased over the same period (Office for National Statistics, 2022a).

In Scotland, data on life expectancy by deprivation is only available over a shorter time period. Here, male life expectancy in the most deprived areas fell by 18 months and female life expectancy fell by 17 months between 2013–15 and 2019–21 (National Records of Scotland, 2016, 2022a). In Wales, where data is only available to compare the 20% most and least deprived areas, male life expectancy in the most deprived areas has fallen by four months and female life expectancy by 10 months since 2011–13 (Public Health Wales Observatory, 2022). In Northern Ireland, where life expectancy data by level of deprivation goes back to 2015–17, male life expectancy has decreased by four months and female life expectancy by six (Northern Ireland Statistics and Research Agency, 2023a).

Although the proportion of life lived in good health has increased, this is not necessarily reflecting an improvement in healthy life expectancy. As reported above, overall life expectancy is falling for people from the most disadvantaged backgrounds. Any increase in the proportion of life lived in good health for this group may therefore be, in part, a consequence of the duration of healthy life expectancy stagnating.

Compared with 2020/21, all age groups in poverty have experienced an increase in their likelihood of living with less than good health. The group of most concern is those aged 16–34 who have their highest level of less than good health since records began (25%). Since 2012/13, their levels of less than good health have increased by 47%. The next youngest group (35–49 year olds) have also experienced an increase over the same time period. However, this increase is smaller and does not take the level of that group to a new high. Both older age groups in poverty (50–64 year olds and those aged 65+) have experienced a small reduction in their levels of less than good health in that same timeframe.

Younger adults in poverty are more likely to be living in less than good health than they were in 2012/13, but this is not the case in older age groups



Source: Family Resources Survey and Households Below Average Income, 2021/22, DWP

It is not unreasonable to suggest that these increases will have been caused by ongoing medical issues linked to Covid-19, but there are also a number of other factors that could be at play. This includes the ongoing cost-of-living crisis and the UK's increasing levels of very deep poverty, which exacerbate poor mental health (Taylor and Schmuecker, 2023) and can also worsen poor physical health (De Hert et al, 2011).

What are the future prospects?

The findings presented here show worrying trends of growing poor health. Considering that the full, even short-term, impact of the Covid-19 pandemic is not fully captured in some of the data used in this report, there are even more reasons for concern. Whether these trends are due to growing levels of poor health before the pandemic, an early sign of the longer-term impact that Covid-19 will have on health, or a combination of the two, we could see even worse health outcomes in the years ahead.

More than ever, the inequalities that lead to disparities in health across the UK will not disappear without government action. Without specific policies aimed at improving public health through prevention, intervention and the treatment of health conditions and other causes of ill-health such as overcrowding and poor housing, further decreases in life expectancy and healthy life expectancy must be expected.

As poverty causes ill-health, reducing levels of poverty will also have a positive impact on health outcomes. Any exposure to poverty in childhood is associated with worse health outcomes in adolescence and into adulthood (Lai et al, 2019) and the potential impact is greater for children in persistent poverty. This is particularly worrying given the impact of the cost-of-living crisis on living standards and years of chronically high poverty levels.

How does this section interact with other sections?

The most obvious link is with the disability section, but health could be considered to have a relationship with all other sections of this report. For example, we know that people from minority ethnic groups have higher rates of poverty and are more likely to live in deprived areas, and we know that people living in those areas face a greater risk of poor health. Many people struggling with poor health face loss of earnings through employment and indeed may be unable to work, leading them to interact with the benefits system. As well as impacts on wellbeing, those in poor health may also have increased living costs and children suffering with poor health may see an impact on their future prospects.

Education and poverty

Why is this important?

A good-quality education can transform lives by opening up the world of work and wider opportunities for a fulfilling and healthier life. Schools and colleges help us to learn essential skills that we need to interact with the world around us, for example to pay bills or to read a bus timetable. But too many children are leaving school without these skills, including being able to confidently read and use numbers. Schools also provide emotional support for many children and families and are anchors to communities and systems of support.

Educational qualifications are needed to access much employment, and higher qualifications are related to higher pay and lower levels of poverty. Yet attainment gaps between the most and least advantaged children are found from early years (Centre for Longitudinal Studies, 2017) through to graduate outcomes across the UK (Office for Students, 2022).

Education is a devolved power and this means that education varies across the four nations of the UK, so it is not directly comparable. In most cases, schools and UK Governments do not collect information on the incomes of parents, so we need to use other information that is available to identify when children might be growing up in a household in poverty or with low/lower incomes.

In this section, we mainly use free school meals (FSM) data. Students are eligible for free school meals if their parents receive social security support for low incomes.[9] In Scotland, the Government uses the Scottish Index of Multiple Deprivation, which measures the level of deprivation in someone's neighbourhood rather than within the individual family (Scottish Government, 2020). At some points we use parental occupational status as an alternative measure if there is no income data available. Lower occupational status is associated with lower incomes.

What's the headline story in the latest data?

Pre-school years

Even at a young age there is a gap in educational attainment for young people by parental income level, and this continues throughout the different stages of a child's education. The Centre for Longitudinal Studies follows children over their life and found that, in the UK, children born in the year 2000 had lower attainment in cognitive tests in the early years if their parents had lower incomes. The gap in vocabulary development between children in the richest and poorest families (top and bottom 20% of incomes) was, on average, 10 months at age 3 and 15 months at age 5 (Centre for Longitudinal Studies, 2017).

As well as supporting child development, good-quality, affordable and flexible early-years care can also allow parents living on a low income to access work, or more hours of work (Jarvie et al, 2023), increasing their household income and, ultimately, reducing the number of children living below the poverty line.

Primary and secondary school

The attainment gap seen in the pre-school years is also evident at the beginning of primary school. In England in 2021/22, children from the 10% most income-deprived neighbourhoods were less likely to reach all early learning goals around the age of 5 than children from the least income-deprived 10% of neighbourhoods. Just over half of children from the most income-deprived neighbourhoods reached the expected levels of attainment, compared with nearly three in four children from the least income-deprived areas.

In Scotland, at a similar age, there was a noticeable attainment gap in reaching expected levels across a range of developmental areas between children from the least-deprived 20% of areas and children from the most-deprived 20% of areas. This includes a 13 percentage point gap in listening and talking and a 21 percentage point gap in literacy.

In Scotland, at the end of primary school, there was a 22 percentage point gap in literacy and a 19 percentage point gap in numeracy between children from the most and the least deprived neighbourhoods (based on the Scottish Index of Multiple Deprivation). At age 11, there was a 23 percentage point gap in the proportion of children reaching expected levels at Key Stage 2 (KS2) in England. There is no equivalent primary school data currently available for Northern Ireland or Wales.

Attainment gaps persist from primary into secondary education. In Northern Ireland, there was a gap of 25 percentage points between children entitled to free school meals and those not, in attaining five General Certificates of Secondary Education (GCSEs) at A*–C including maths and English. In Wales, there was a 28 percentage point gap in the GCSE entries awarded an A*–C grade. In England, just three in ten disadvantaged young people got a pass at GCSE in both English and maths, compared with nearly six in ten young people not known to be disadvantaged (see table below for a definition of disadvantage). In Scotland, the gap between children in the most and the least deprived neighbourhoods seems smaller (19 percentage points) but the level being measured was lower at just one qualification at Level 5.

Attainment in England

2021/22		Disadvantaged	Not known to be in disadvantage	Attainment gap
Aged 11	Proportion of pupils reaching expected standards in reading, writing and maths at Key Stage 2	43%	66%	23 percentage points
Aged 16	Percentage of pupils achieving grades five or above in English and maths GCSEs	30%	57%	27 percentage points

Source: Key stage 2 attainment, UK Government and Key stage 4 performance, UK Government

Note: GCSE = General Certificate of Secondary Education. Disadvantaged pupils are ordinarily defined as those who have been registered as eligible for free school meals at any point in the past six years and children looked after by a local authority or who have left local authority care in England and Wales through adoption, a special guardianship order, a residence order or a child arrangements order. Across levels and countries, we have used 2021/22 data to match the Households Below Average Income dataset year and because this is the latest data available in Northern Ireland and Wales.

Attainment in Northern Ireland

2021/22		FSM	Non-FSM	Attainment gap
Aged 16	Percentage of pupils achieving at least five GCSEs A*–C (or equivalents) including GCSE English and maths	59%	84%	25 percentage points

Source: Qualifications and Destinations of Northern Ireland School Leavers, Department of Education, Northern Ireland (Cash et al, 2023)

Note: FSM = free school meals. GCSE = General Certificate of Secondary Education. Primary school attainment by free school meals is not regularly published in Northern Ireland.

Attainment in Scotland

2021/22		Most deprived 20% of areas	Least deprived 20% of areas	Attainment gap
Aged 11	Percentage of primary 7 pupils achieving literacy	61%	83%	22 percentage points
	Percentage of primary 7 pupils achieving numeracy	67%	87%	19 percentage points
Aged 16–18	One or more at SCQF Level 5 upon leaving school	76%	96%	19 percentage points

Source: Achievement of Curriculum for Excellence levels, Scottish Government (2022) and Attainment and Initial Leaver Destinations, Scottish Government (2023)

Note: SCQF = Scottish Credit and Qualifications Framework. Due to rounding, the attainment gaps may not equal the difference between the proportion of children from the most and least deprived areas attaining the specified level.

Attainment in Wales

2021/22		FSM	Non-FSM	Attainment gap
Aged 16	Percentage of GCSE entries awarded A*–C	47%	75%	28 percentage points

Source: GCSE entries and results for pupils in Year 11 by FSM, StatsWales

Note: FSM = free school meals. GCSE = General Certificate of Secondary Education. The teacher assessment of Key Stage 2 is no longer published by free school meal status (Welsh Government, 2019).

Across education systems we also know that there exist intersectional attainment gaps with variation in attainment for children in low-income families by ethnicity, gender and whether they have any additional support needs (Shaw et al, 2016; Strand, 2021). Children with additional support needs experience a significant attainment gap across the devolved nations. We also know that children living in poverty are more likely to be identified as having an additional support need and are often unable to access the support they need (Shaw et al, 2016).

Higher education

In the UK in 2021/22, half of entrants into first undergraduate degrees had parents who were in either higher or lower professional or managerial occupations. Around one in five entrants had a parent working in a routine or semi-routine occupation. Just 1% had a parent who was long-term unemployed or had never worked (this could be due to a range of reasons, including disability and caring responsibilities).

Percentage of higher-education first-degree undergraduate enrolments by highest parental occupational status in the UK, 2021/22

Highest parental occupational status	Percentage of first-degree undergraduate enrolments
Higher managerial and professional occupations	24
Lower managerial and professional occupations	26
Intermediate occupations	14
Small employers and own account workers	8
Lower supervisory and technical occupations	5
Semi-routine occupations	13
Routine occupations	9
Long-term unemployed or never worked	1

Source: Higher Education Statistics Agency (2023)

Note: This analysis only includes students in their first year, with level of study set at their first degree.

We know that people with higher qualifications are less at risk of being trapped in poverty. In 2021/22, just over one in ten working-age adults with an undergraduate degree or above were living in poverty, compared with more than four in ten working-age adults with no qualifications. Having no qualifications also doubles working-age adults' risk of experiencing very deep poverty.

Qualifications affect people's access to good work and having no qualifications increases working-age adults' risk of being inactive and unemployed. In 2021/22, nine in ten adults with a higher degree were in employment, compared with half of people with no qualifications (or who did not know what their qualifications were). However, it is important to note that the proportion of individuals who are disabled is nearly three times higher among people with no degree than for those with a degree qualification. This is likely to contribute to the higher inactivity rate for this group. Disabled children often have additional learning needs and face an education attainment gap and, as noted in earlier sections, disabled people face significant barriers to accessing the labour market. These factors combine to highlight some of the ongoing structural disadvantages that disabled people face through their life course, contributing to their greater risk of experiencing poverty.

This is compounded by the fact that, in 2021/22, the average gross weekly pay for working adults aged 16–64 with no qualifications (or who did not know what their qualifications were) was £369 a week. This increased to an average of £442 a week for someone with a qualification below degree level and for someone with a higher degree it averaged £769 a week.

How has this changed over time?

As each of the UK's education systems is distinct and has made changes to its structure, examinations and measurements of success, it is difficult to track comparable changes over time. However, we can be certain that there has consistently been a gap between the least and most disadvantaged children, that this is not new and that the gap will not close in the near future with current rates of progress. The Programme for International Student Assessment (PISA), conducted by the Organisation for Economic Co-operation and Development (OECD), measured students' reading ability, outwith the school curriculum, in 2018. It showed little improvement in the socio-economic reading attainment gap in the UK between 2009 and 2018 (Mostafa and Schwabe, 2019).

In 2020, students in each UK education system did not undertake normal exams due to the Covid-19 pandemic; instead, teachers evaluated their work, meaning that there is a break in attainment data over this period. In addition to this, education systems, schools and teachers have continued to require extra efforts to overcome the impact of the pandemic on learning, which is likely to have contributed to sustained attainment gaps in 2020/21.

Nonetheless, we have seen a widening in the attainment gap at Key Stage 2 level for children in England between 2017/18 (19 percentage points) and 2022/23 (22 percentage points) (excluding years missing due to the pandemic). This is because attainment has fallen for both groups but has fallen further for disadvantaged pupils than for children not known to be disadvantaged, increasing the attainment gap between these groups. At GCSE level, there are only two years of comparable data, due to a change in measurement combined with the impact of the pandemic, which shows little change in the attainment gap. Recent work by the Education Policy Institute (Hunt, 2023) supports these findings on disadvantage gaps, suggesting a continuing widening of the gaps at all levels since 2017. The Institute also found that at GCSE level, young people who experienced persistent disadvantage (meaning that they were eligible for free school meals for at least 80% of their education) were almost two years behind students who had not experienced persistent disadvantage between 2011 and 2022.

In Scotland, the disruption caused by the Covid-19 pandemic also meant that children were assessed through teacher evaluation instead of typical exams, and the attainment gap at Level 5 reduced from 21 percentage points in 2019/20 to 18 percentage points in 2020/21. However, this gap widened slightly to 19 percentage points in 2021/22. Before this, the gap between young people in the most and least deprived neighbourhoods achieving one pass reduced between 2009/10 and 2016/17 as the attainment of children from deprived neighbourhoods increased. However, the attainment gap has remained stable since then.

In Wales, the attainment gap between students who are and who are not in receipt of free school meals in achieving A*–C grades awarded at GCSE level remained relatively constant between 2016/17 and 2018/19, sitting at around 28 percentage points. In 2019/20, the academic year in which GCSE exams were most affected by the Covid-19 pandemic, the attainment gap fell to 25 percentage points. However, this has increased back to around 28 percentage points in the latest two years of data.

Since 2005/06 in Northern Ireland, attainment at GCSE level for young people entitled to free school meals has improved in line with those not on FSM; this means that the attainment gap has remained relatively constant. However, this gap fell from 29 percentage points in 2018/19 to 25 percentage points in 2021/22.

What are the future prospects?

The additional challenges faced by families with children in the cost-of-living crisis are likely to affect young people's learning and attainment. As families cut back on essentials as they struggle to keep up with rising costs, the numbers of children attending school hungry are likely to rise, affecting their ability to take part and attain in school. JRF's latest cost-of-living tracker found that 40 percentage points of families with children in the lowest fifth of incomes had cut back on food for their children during the cost-of-living crisis.

Taking part fully in school, from having the right school uniform to attending school trips, also comes with costs that a growing number of families will struggle to cover as the costs of essentials rise (Child Poverty Action Group, 2023). JRF analysis found that in October 2023, one in four families with children in the lowest fifth of incomes had taken on debt to cover the cost of purchasing a school uniform. Parental stress and worry are also known to have a negative impact on young people's ability to learn in school, and this is likely to increase as a growing number of families worry about making ends meet.

As mentioned in the ‘Family composition, age and sex’ section, the impact that increased childcare provision in England (and alternative proposals from the devolved nations) has on reducing child poverty and the attainment gap requires close attention over the coming years. By reducing the cost of childcare, governments could raise families’ incomes, particularly if it makes employment – or increased hours of employment – a more viable option for parents in low-paid work. The introduction of more high-quality childcare for low-income families could also boost learning for children from low-income families in the early years and contribute to reducing the attainment gap as they progress into school.

It is also clear that across the nations of the UK, policy decisions made during the Covid-19 pandemic have exacerbated socio-economic inequalities in attainment (Kippin, 2023). To avoid further widening the attainment gap, the Governments in the UK must focus education policy on closing attainment gaps so that these errors are not repeated in future policy decisions.

How does this section interact with other sections?

The main link is with employment outcomes, where low qualifications are a key driver of low pay. However, our experience and level of education often affect other aspects of our lives such as our health and where we live.

Annexes

Annexes

Annex 1: Poverty definitions

Being in poverty is when your resources are well below what is enough to meet your minimum needs, including taking part in society. There are a range of ways of measuring this. Headline measures include the following:

- **Relative poverty after housing costs** – that is, where someone's household income is below 60% of the median, adjusted for family size and composition. This looks at whether the incomes of poorer households are catching up with average incomes.
- The **Social Metrics Commission's core measure of poverty**, which is having low material resources compared with inescapable costs, including housing costs. This looks beyond income at all material resources, assesses extra costs, including those due to disability and childcare, and includes people sleeping rough. It also uses a smoothed poverty line to avoid potentially misleading year-on-year changes.
- **Absolute poverty after housing costs** – that is, where someone's household income is below a fixed line based on an inflation-adjusted 2010/11 poverty line (set at 60% of median income after housing costs in 2010/11). This looks at whether the incomes of poorer households are increasing faster than inflation.

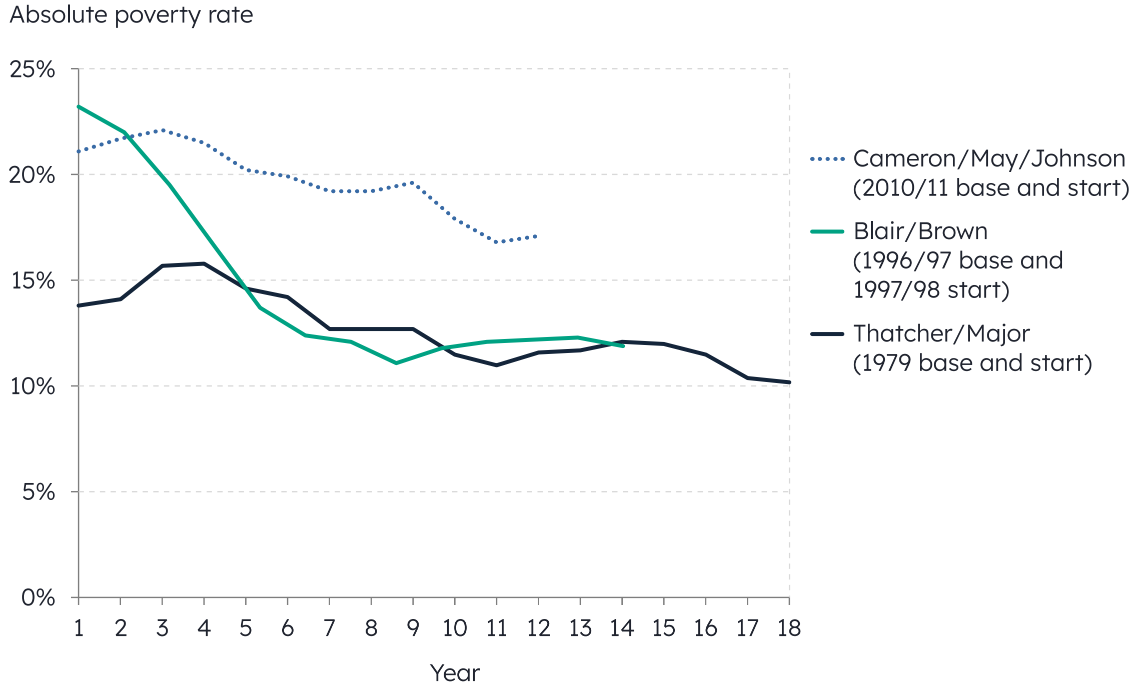
One important thing to note is that these measures are based on household income and vary in how sensitive they are to changes in the cost of living and high inflation. Of these measures, absolute poverty is most directly affected by immediate changes in the cost of living, with the poverty line rising by inflation. Relative poverty and the Social Metrics Commission measure are less sensitive to changes in the cost of living, with changes in both mainly determined by how the incomes of poorer households compare to those with higher incomes. Material deprivation measures, which are based on whether families say they are unable to access or afford a range of particular goods and activities, are also useful measures during periods when prices are rising quickly.

In this report, when we use the term ‘poverty’ we are using the relative poverty rate after housing costs to measure poverty unless otherwise stated. Previous analysis has shown that all measures agree on some of the key groups who have higher rates of poverty, including:

- children
- people in families not containing full-time workers
- people in lone-parent families
- people in families containing a disabled person
- people in families with three or more children
- people in rented accommodation
- people in households headed by someone who does not have a white ethnicity (particularly those of Pakistani, Bangladeshi or Black ethnicity).

There has been little recent progress in reducing relative poverty or poverty as determined using the Social Metrics Commission measure. Reducing poverty on those measures tends to be more difficult than reducing absolute poverty, as they both require the incomes of lower-income households to catch up with the average household, while absolute poverty just requires incomes to grow faster than inflation. There have been periods when incomes have been falling, not least recently during the period of very high inflation, which is likely to feed into rising absolute poverty. In the longer term, incomes do tend to rise, and absolute poverty tends to fall, as can be seen in the chart below, which is the equivalent of the relative poverty chart in the overall poverty rates section earlier in this report. This shows the strong performance in terms of reducing absolute poverty in the early years of the last Labour Government, with performance of the current and previous Conservative Governments being similar to each other, with the current Government starting from a higher base (each series starts with the relative poverty rate in the election year).

Absolute poverty rates have fallen under both the current and previous Conservative Governments, but the biggest fall was under the last Labour Government



Source: Institute for Fiscal Studies' (2023) analysis of Family Expenditure Survey and Households Below Average Income data

Adjustments (known as equivalisation) are made to incomes to make them comparable across households of different sizes and composition. For example, the process of equivalisation would adjust the income of a single person upwards, so their income can be compared directly to the standard of living of a couple. The relative poverty thresholds after housing costs and what the median household income would be if adjusted to correspond to various family types are given in the table below.

Poverty thresholds vary by family type

Household type	Median income		Poverty threshold (60% of median)		Deep poverty threshold (50% of median)		Very deep poverty threshold (40% of median)	
	Weekly	Annual	Weekly	Annual	Weekly	Annual	Weekly	Annual
Lone parent with two children, one aged 14 or over and one under 14	£600	£31,300	£360	£18,800	£300	£15,600	£240	£12,500
Couple with two children, one aged 14 or over and one under 14	£810	£42,200	£486	£25,300	£405	£21,100	£324	£16,900
Couple with two children, both under 14	£700	£36,500	£420	£21,900	£350	£18,200	£280	£14,600
Single adult, no children	£290	£15,100	£174	£9,100	£145	£7,600	£116	£6,000
Couple with no children	£500	£26,100	£300	£15,600	£250	£13,000	£200	£10,400

Source: Households Below Average Income, 2021/22, DWP

The average annual poverty gap is calculated as the average gap between the poverty line and the median income of someone in poverty over a three-year period. Similarly, it can be expressed in terms of an adjusted income corresponding to different family types. The same can be seen for the equivalent deep poverty gap and the very deep poverty gaps, and the distance to the poverty line for people in deep poverty and very deep poverty as in the tables below. Note, these tables do not mean that gaps are bigger for people in different family types, rather they just show what the single relevant overall poverty gap figure would be when expressed for different family types.

Poverty, deep poverty and very deep poverty gaps when adjusted for different family types

	Poverty gap		Deep poverty gap		Very deep poverty gap	
Household type	Weekly	Annual	Weekly	Annual	Weekly	Annual
Lone parent with two children, one aged 14 or over and one under 14	£100	£5,400	£90	£4,700	£150	£7,800
Couple with two children, one aged 14 or over and one under 14	£140	£7,200	£120	£6,300	£120	£6,400
Couple with two children, both aged under 14	£120	£6,200	£100	£5,400	£110	£5,600
Single adult, no children	£50	£2,600	£40	£2,300	£40	£2,300
Couple, no children	£90	£4,500	£70	£3,900	£80	£4,000

Source: Households Below Average Income, 2019/20–2021/22, DWP

Distance to poverty line for people in deep poverty and very deep poverty when adjusted for different family types

	Distance to poverty line for people in deep poverty		Distance to poverty line for people in very deep poverty	
Household type	Weekly	Annual	Weekly	Annual
Lone parent with two children, one aged 14 or over and one under 14	£150	£7,800	£210	£11,000
Couple with two children, one aged 14 or over and one under 14	£200	£10,500	£280	£14,800
Couple with two children, both aged under 14	£170	£9,100	£250	£12,800
Single adult, no children	£70	£3,800	£100	£5,300
Couple, no children	£120	£6,500	£180	£9,200

Source: Households Below Average Income, 2019/20–2021/22, DWP

Annex 2: Macro economy

In looking at how poverty is changing, it is important to consider the performance of the wider economy. The health of the economy will have a bearing on many of the factors that determine poverty levels. This includes:

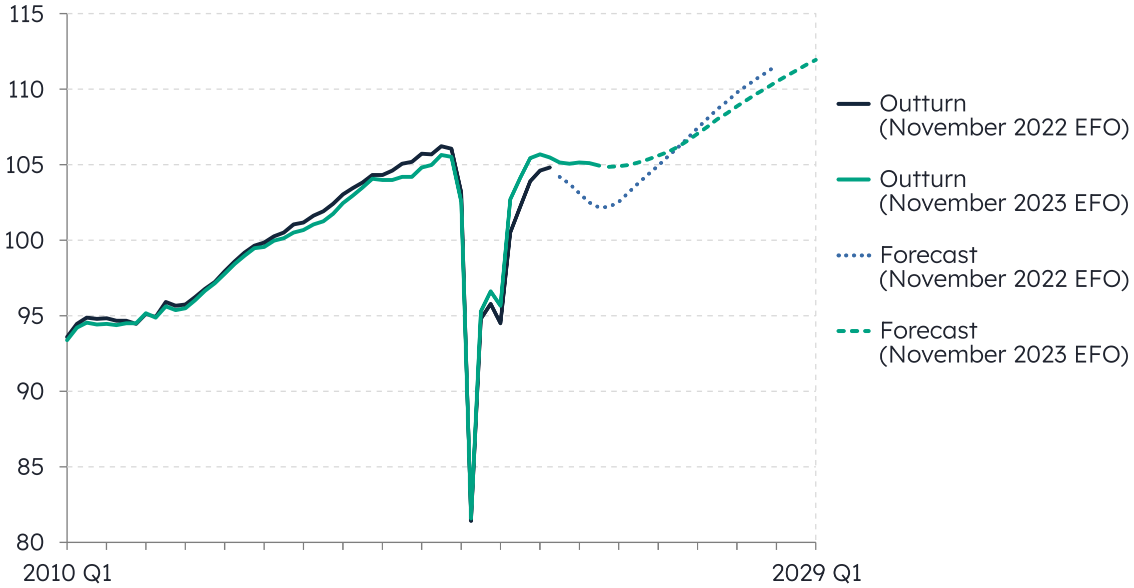
- tax revenues to fund public services, social security and other state support
- the performance of the labour market in terms of the number of jobs available and going wage rates
- the impact of inflation on the cost of living.

This annex draws on the Office for Budget Responsibility's (OBR's) latest Economic and Fiscal Outlook report (EFO), and compares this to the EFO published immediately before our last assessment of prospects for poverty in the UK (Office for Budget Responsibility, 2022, 2023). The relationship between macro-economic variables and poverty is complex, and forecasts always come with a degree of uncertainty, so this should be seen as indicative.

While not a comprehensive measure of the economy, real Gross Domestic Product (GDP) per head of population gives an indication of how the economy is faring over time. This indicator fell dramatically in the second quarter of 2020, following the onset of the Covid-19 pandemic and associated lockdown measures. After a rebound in 2021, the energy-price shocks that initiated the cost-of-living crisis generated further headwinds on GDP. A combination of data revisions and better-than-expected performance has meant that real GDP per head of population has not fallen as low as the OBR previously forecast. However, as of the third quarter of 2023, we have still seen no growth since 2021, and the size of the economy remains below pre-pandemic levels. Furthermore, due to a combination of demographic and technological factors, the OBR now expects GDP to grow more slowly than previously forecast, so that the long-run outlook has actually deteriorated.

Despite better-than-expected performance since the pandemic, the long-run outlook for GDP has deteriorated

GDP per capita, Q1 2008 = 100

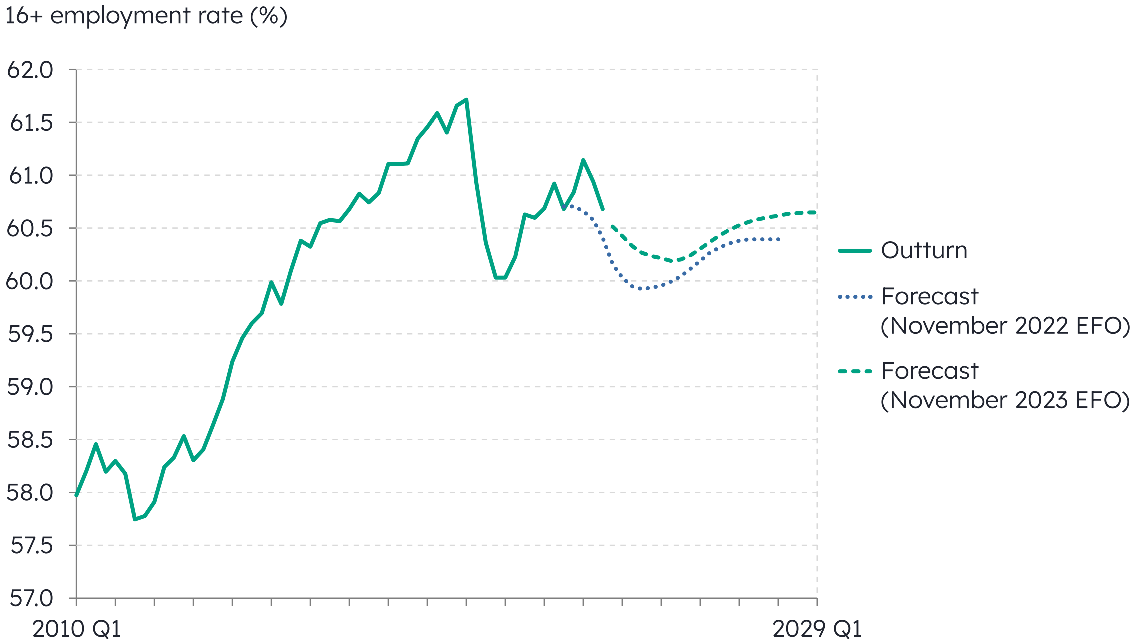


Source: OBR Economic and Fiscal Outlook, November 2022 and November 2023

Note: EFO = Economic and Fiscal Outlook. GDP = Gross Domestic Product.

After a decade of rising employment, the employment rate fell during the Covid-19 pandemic, although the furlough scheme ensured that this was not as severe as the fall in GDP. The proportion of the 16+ population in employment fell by almost 2 percentage points in 2020, equating to a decrease of 800,000 people in employment. We have seen a partial recovery since the beginning of 2021, which has so far exceeded the OBR's 2022 forecast, although the reliability of the underlying data has become a concern, meaning these increases may be overstated. In any case, the employment rate remains a full percentage point below its pre-pandemic peak, and the prospects for employment growth remain weak. This is mainly due to the sharp rise in economic inactivity that followed the pandemic, driven largely by those reporting a long-term sickness, although unemployment is also forecast to rise.

Employment has only partially recovered since the pandemic, and the forecast remains subdued



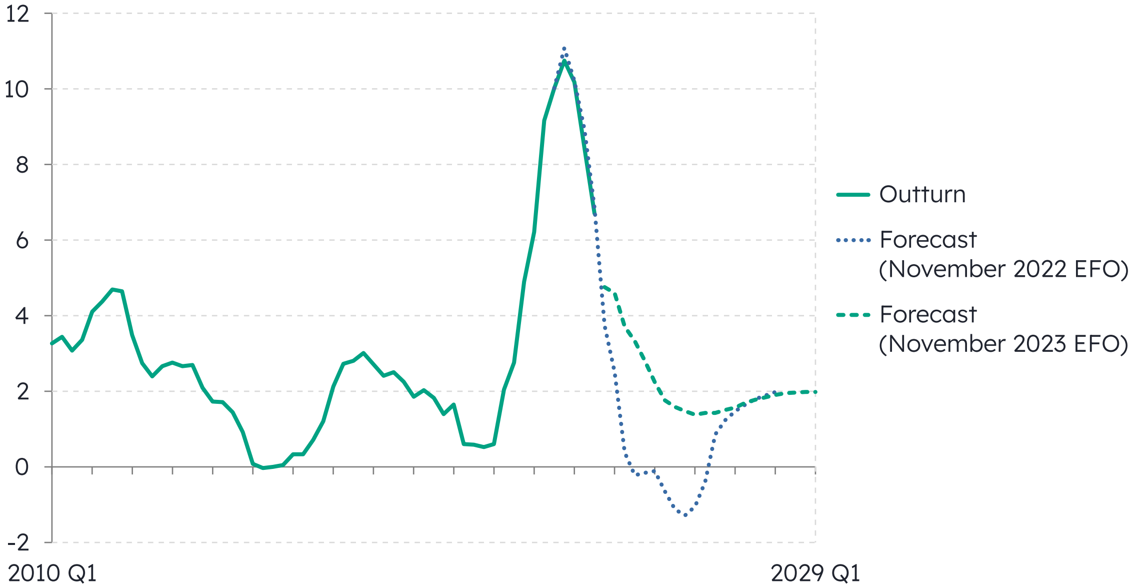
Source: OBR Economic and Fiscal Outlook, November 2022 and November 2023

Note: EFO = Economic and Fiscal Outlook.

Inflation, the rate at which prices increase, has been a chief concern since the beginning of the cost-of-living crisis. Inflation as measured by the Consumer Price Index (CPI) remained low through to the start of 2021, but then rose rapidly to a peak of around 11% in 2022 – a rate of increase that had not been seen for around 40 years. Inflation has since begun to subside – that is, prices are growing at a slower rate. However, whereas the OBR was previously forecasting this fall to continue apace until the economy entered deflation – with prices actually falling – it now anticipates that the fall in inflation will trail off until reaching the Bank of England target of 2% at the end of the forecast horizon.

We may be past the peak, but inflation is now forecast to remain higher for longer

CPI inflation



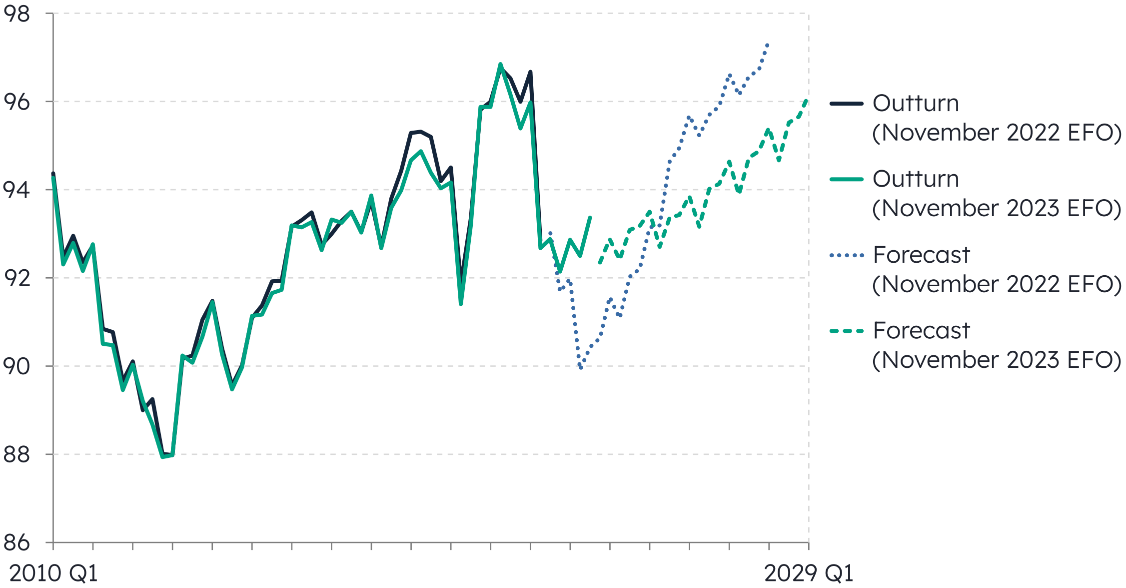
Source: OBR Economic and Fiscal Outlook, November 2022 and November 2023

Note: CPI = Consumer Price Index. EFO = Economic and Fiscal Outlook.

One result of high inflation is that average real earnings – that is, average earnings adjusted for inflation – have been eroded. Earnings quickly recovered following the pandemic, but fell again in the second half of 2021 as inflation took hold, and now remain below their pre-pandemic level. This means that, remarkably, real earnings are still lower than they were before the financial crisis some 15 years ago (not shown in the chart above). As with GDP, average real earnings have outperformed the OBR's 2022 forecast for the past year, but are now expected to grow more slowly so that the overall result is a deterioration in the forecast. Average real earnings are now expected to remain below their pre-pandemic level until 2027.

Earnings have been eroded by inflation and are not expected to recover for many years

Real average earnings, Q1 2008 = 100



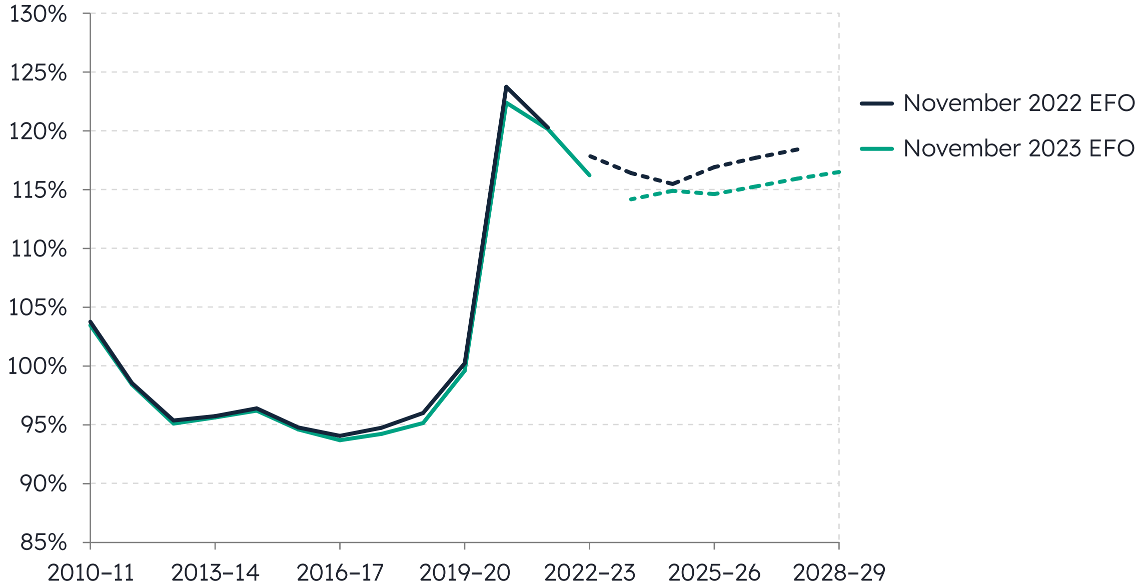
Source: OBR Economic and Fiscal Outlook, November 2022 and November 2023

Note: EFO = Economic and Fiscal Outlook. Average earnings have been index-adjusted for the Consumer Price Index within each EFO and rebased to 2008 Quarter 1.

Another consequence of high inflation is increased pressure on public services. The pandemic saw a historic rise in public spending – defined here as departmental spending – reaching over 20% above its 2008/09 level in real terms. However, since 2021/22, inflation has eroded the value of public spending, resulting in real-terms cuts. Real public spending remains much higher than its pre-pandemic level, but the forecast for real spending has reduced in the Office for Budget Responsibility's latest publication due to higher-than-expected inflation, at a time when many public services are already stretched.

Public spending remains much higher than before the pandemic, but is being squeezed by inflation

Public spending, 2008–09 = 100, 2022–23 prices

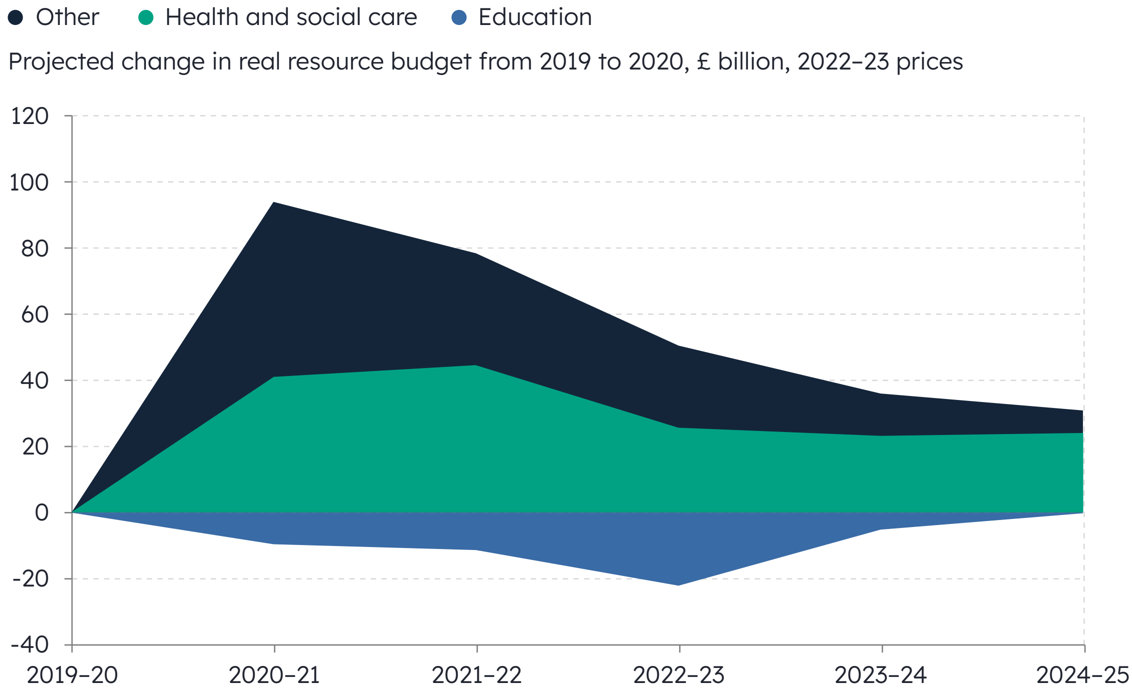


Source: OBR Economic and Fiscal Outlook, November 2022 and November 2023

Note: Total of resource and capital spending by department, deflated using GDP deflator in each forecast.

Furthermore, most of the increase in public spending since before the pandemic is due to the budget for health and social care. Budgets in many areas spiked in 2020–21, but have since been falling back to their pre-pandemic levels in real terms. Some budgets actually fell, notably education. On the other hand, the resource budget for health and social care is projected to remain significantly higher in 2024–25 than in 2019–20 in real terms. The reasons for this are complex, but are likely related to poorer health across the population, increasing the number of patients as well as health and social care workers (Warner and Zaranko, 2022).

Most of the increase in public spending since before the pandemic is on health and social care



Source: HM Treasury, Public Expenditure Statistical Analysis, July 2023

Note: Excludes budgets for Scotland, Wales and Northern Ireland. Figures from 2023–24 onwards are projected. Figures are not directly comparable to the Office for Budget Responsibility's Economic and Fiscal Outlook.

Annex 3: Average incomes and inequality

One way to measure changes in overall living standards is to track average incomes. This also helps us understand changes in poverty, since the relative measure of poverty that we use in this report is based on median household income. In particular, increases in the median will raise the poverty line, which in turn will lead to increases in poverty if the incomes of low-income households do not grow as quickly.

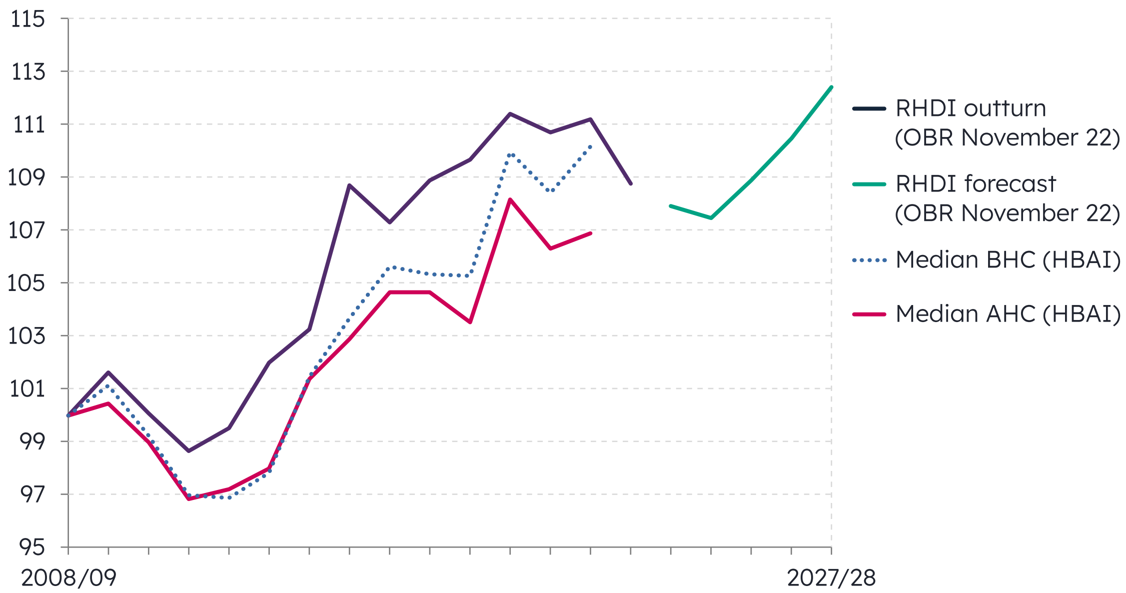
The chart below shows how average incomes have changed since 2008/09 according to three measures:

- median equivalised household income after housing costs (the threshold used for our poverty statistics), as measured in the Households Below Average Income (HBAI) dataset
- the equivalent measure before housing costs
- real household disposable income (RHDI) per head of population.

Real household disposable income is derived from the national accounts and includes the money households have to spend on consumption, or to save and invest, after taxes, National Insurance contributions, pension contributions and interest have been paid.[10]

Real household disposable income fell in 2022–23 – and is expected to keep falling until 2025

Real household disposable income (index: 2008/09 = 100)



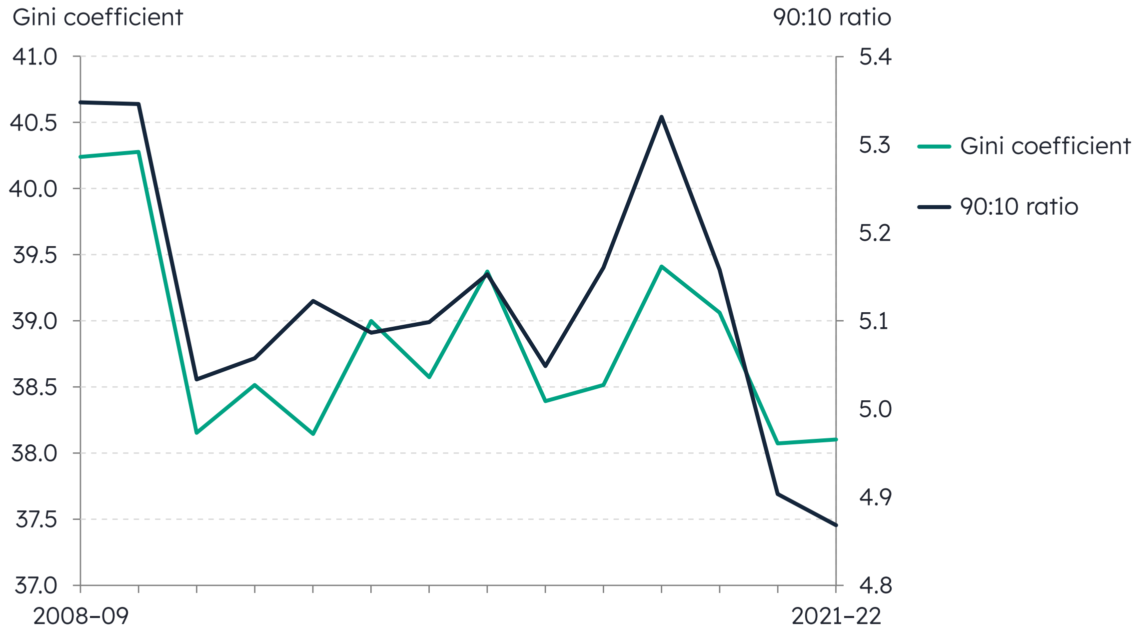
Source: OBR Economic and Fiscal Outlook, November 2023 and Households Below Average Income, 2021/22, DWP

Note: AHC = after housing costs. BHC = before housing costs. HBAI = Households Below Average Income. OBR = Office for Budget Responsibility. RHDI = real household disposable income.

The income measures based on the Households Below Average Income dataset follow a similar pattern to the real household disposable income index, with a fall in average incomes between 2009/10 and 2011/12 following the financial crisis, before a period of broadly growing average incomes to 2019/20. The coronavirus pandemic halted this trend, with all three data series showing a fall between 2019/20 and 2020/21. After a rebound in 2021/22, the real household disposable income series showed a large fall in 2022/23, which is forecast to continue until 2025/26. On this measure, average incomes will remain below their pre-pandemic level until 2027/28. This would be a historically unprecedented outcome.

Two of the most commonly used measures of income inequality are the Gini coefficient and the 90:10 ratio. The Gini coefficient shows how incomes are distributed across all individuals. It ranges from zero (when everybody has identical incomes) to 100% (when all income goes to only one person). The 90:10 ratio is the median income of the top 20% (quintile 5) divided by the median of the bottom 20% (quintile 1). The chart below shows that income inequality fell following the financial crisis (between 2009/10 and 2010/11), followed by an overall increase up to 2019/20. There were large falls in 2020/21, likely due in part to the introduction of temporary benefit measures. These measures were withdrawn halfway through the latest year of data, 2021/22, which saw a slight increase in the Gini coefficient but a reduction in the 90:10 ratio.

Income inequality fell in 2020/21, likely due to pandemic-related payments protecting the incomes of poorer households



Source: Households Below Average Income, 2021/22, DWP

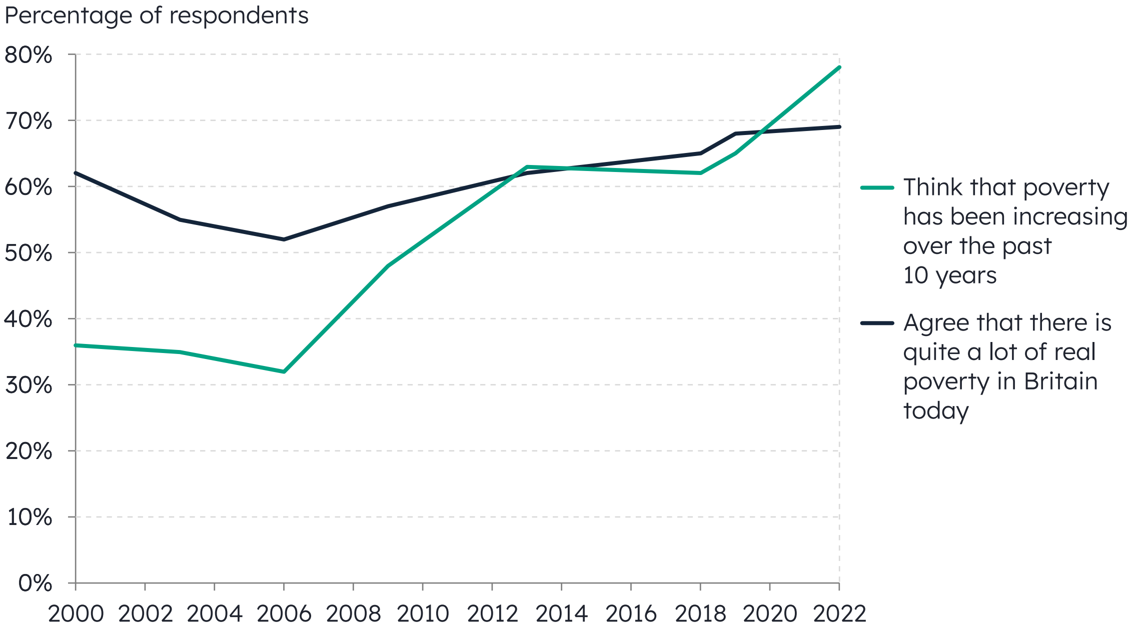
The outlook for inequality remains uncertain, depending as it does on the distribution of changes in earnings and employment as well as the impacts of tax and benefit policies, among other factors. The overall effect of tax and benefit policies announced in this Parliament has been broadly progressive, as have increases in the National Living Wage (Resolution Foundation, 2023). However, many of these policies have already begun to take effect in the latest data, and the tax and benefit measures announced in the latest Autumn Statement will benefit middle- and higher-income households the most.

Annex 4: Public attitudes to poverty

It should be a fundamental responsibility of the Government to provide adequate support to people on low incomes and out of work. This should not be reliant on public attitudes. Nevertheless, the British public continues to be more supportive of government action to help people on low incomes and to provide an effective social security system to support those in need, rather than weakening this safety net.

The British Social Attitudes survey has looked at public attitudes on a wide range of topics, including perceptions of poverty, government spending, social security and employment, since 1983. Data from the latest wave of the survey, conducted in 2022, found that seven in ten people (69%) thought that there was quite a lot of real poverty in Britain, up from 52% in 2006, although slightly less than the 71% who thought there was lots of poverty in 1994 (Baumberg Geiger et al, 2023). Furthermore, eight in ten thought that poverty had increased over the previous 10 years (78%). This is the highest figure recorded since the question was first asked in 1986.

The proportion of people who think there is quite a lot of real poverty in Britain has increased by nearly 20 percentage points since 2006, and the proportion who think poverty has been increasing has more than doubled

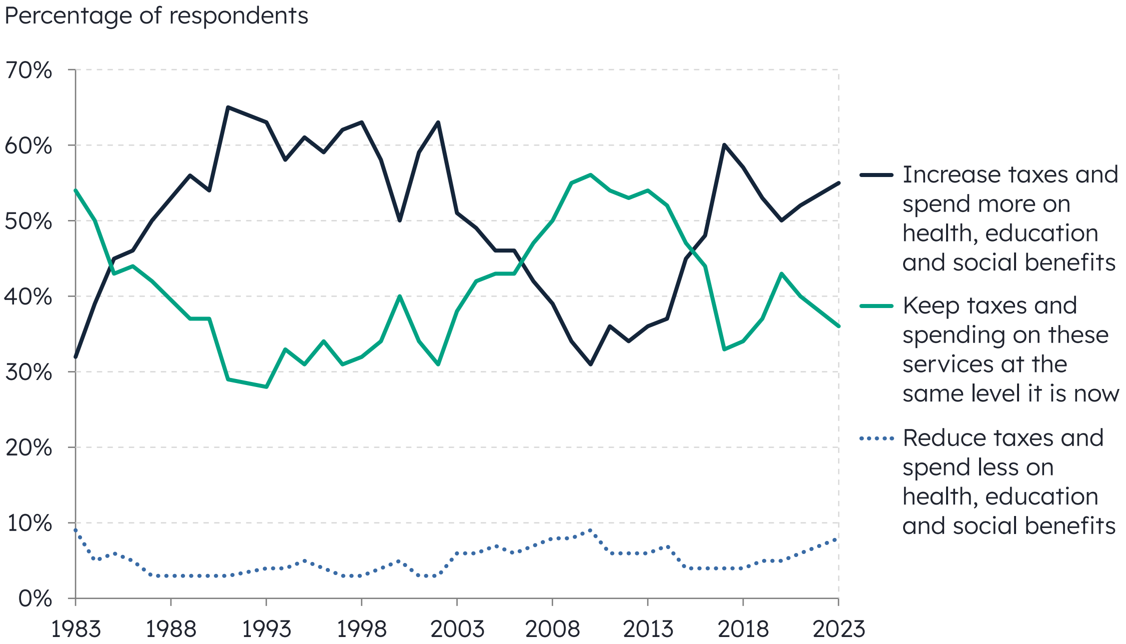


Source: British Social Attitudes survey, 2000–22

Since this data was collected, polling carried out in February 2023 by YouGov on behalf of Christians Against Poverty found that more than six in ten respondents (65%) thought that poverty had increased in their local area over the previous 12 months and more than eight in ten (85%) thought it had increased across the UK (Christians Against Poverty, 2023).

The British public also continues to become increasingly supportive of government action to help people in need (Curtice and Scholes, 2023). Attitudes towards government tax and spending on health, education and social benefits have become more favourable over the past decade, and almost doubled from 31% in 2010 to 60% in 2017. Although this has fallen slightly, the majority of the British public (55%) still supports increases in spending in these areas. In contrast, fewer than one in ten people have supported cuts to tax and spending throughout this period.

The majority of the British public has thought that the Government should increase tax and spending on health, education and social benefits since 2017



Source: British Social Attitudes survey, 1983–2023

The public's views on the scope of government activity have also changed over the past 40 years. Although support for many areas of government activity fell from the 1980s to the 1990s, recent surveys have found that this has rebounded. In 1985, when these questions were first asked, just under half (45%) of people said that it should definitely be the Government's responsibility to 'reduce income differences between the rich and poor', and a further quarter (24%) said it probably should be its responsibility. By 2006, these figures changed to 25% and 38% respectively. Therefore, the proportion of people who thought that it should either probably or definitely be the Government's responsibility fell from seven in ten to closer to six in ten. In the most recent data, more than half of people (53%) said that reducing these income differences was definitely the Government's responsibility (the highest level of support on record), with another three in ten (28%) thinking it probably was.

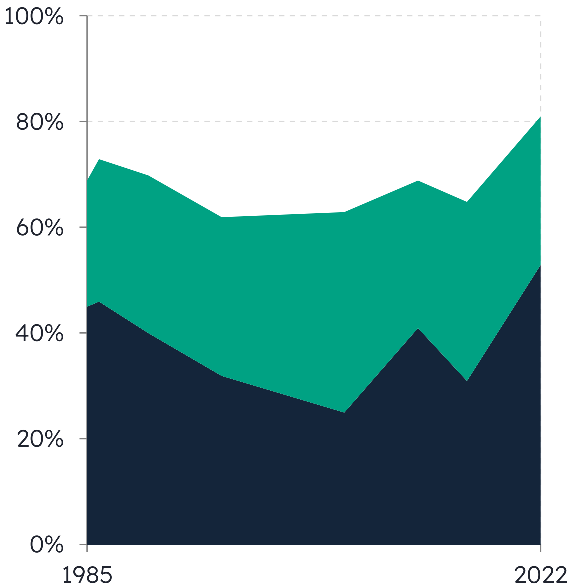
At the same time, the proportion of people who thought it definitely should be the Government's responsibility to 'provide a decent standard of living for the unemployed' fell from 42% in 1985 to 10% in 2006, although it did recover to 38% in the most recent data. The proportion who said this probably should be the Government's responsibility remained relatively stable at around four in ten people throughout this period. Therefore, the proportion of people who thought this was either probably or definitely the Government's responsibility fell from eight in ten in 1985 to five in ten in 2006, but rebounded to eight in ten in 2022.

The recent cost-of-living crisis has increased the public and policy-makers' focus on the impact of inflation. Attitudes towards the Government's role in this area have also seen drastic changes over the past four decades. In 1985, six in ten people (59%) said it was definitely the Government's job to 'keep prices under control', with an additional three in ten (31%) saying it probably was. By 2006, the proportion who said this was definitely the Government's responsibility had halved (31%), although the proportion of people who said it probably should be increased to 49%. However, in 2022 – in the midst of the cost-of-living crisis – people were even more supportive of government action in this area: nearly seven in ten (68%) said it was definitely the Government's responsibility to 'keep prices under control', with around a quarter (26%) saying it probably was, meaning more than nine in ten people thought the Government probably or definitely should play a role in this area.

The proportion of people who thought it was the Government's responsibility to tackle inequality fell in the first two decades of the British Social Attitudes survey, but is now similar to levels in 1985

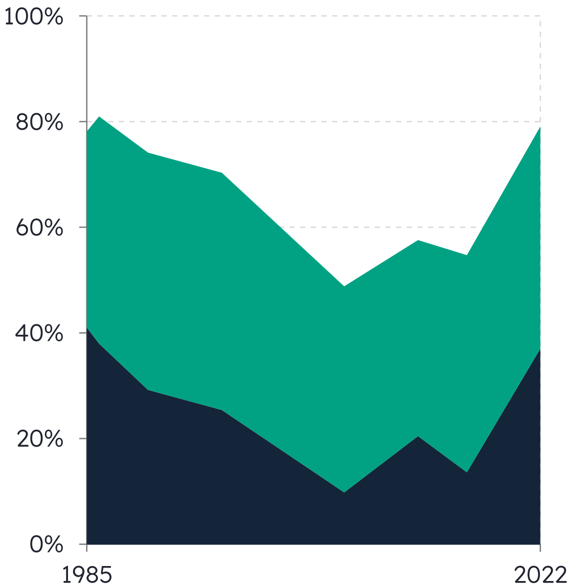
● Probably ● Definitely

% who believe it is the Government's responsibility to reduce income differences between the rich and poor



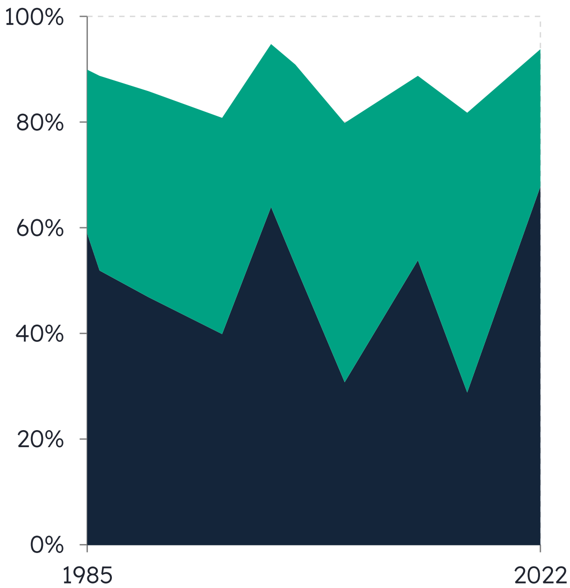
● Probably ● Definitely

% who believe it is the Government's responsibility to provide a decent standard of living for unemployed people



● Probably ● Definitely

% who believe it is the Government's responsibility to keep prices under control



Source: British Social Attitudes survey, 1985–2022

The fact that an increasing proportion of the British population believes that the Government has a responsibility to act in these areas may, at least in part, be due to the concerns they have for public services and the cost of living. In November 2023, JRF's polling found that nearly three-quarters of adults across the UK (73%) were worried or very worried about both public services and the cost of essentials, with almost a third of adults (32%) very worried about both areas. The majority of Labour and Conservative voters, as well as those who said they did not know who they would vote for in the next general election, were worried about both public services and the cost of essentials (Johnson-Hunter and Calver, 2023).

As high inflation and the increased cost of living across the UK have led to increasing pressures on low-income families, public opinion has continued to be in favour of a benefits system that offers proper support to meet their financial needs as costs continue to rise. According to polling by Yonder Data Solutions on behalf of Thinks Insight & Strategy for JRF, 72% of the public support an Essentials Guarantee that would ensure that – at a minimum – Universal Credit is set at a rate that covers the cost of essentials, and cannot be brought below this level by deductions (The Trussell Trust and Joseph Rowntree Foundation, 2023).

Furthermore, YouGov's own polling conducted in January–February 2023 found that more than seven in ten people across Britain thought that people on out-of-work benefits should be able to afford utilities such as electricity, gas and water (76%), food that allows them/their children to eat a balanced and healthy diet (74%) and school shoes and uniforms for their children (73%), with 69% saying they should be able to afford non-designer clothing (Smith, 2023).

The findings outlined above from the British Social Attitudes survey suggest that the British public largely takes a thermostatic approach to government tax and spending – that is to say, that public support for higher levels of tax and spending rises when they are cut, and falls when they are increased. This goes some way in explaining the rise in support when government spending was cut throughout the 2010s. However, increased government spending during the Covid-19 pandemic and specific financial support schemes introduced at the height of the cost-of-living crisis have not tempered this support as the British public continues to think that poverty is increasing across the country and supports government action – including an effective social security system – that would address this.

Annex 5: Note on data quality and impact on analysis in the Family Resources Survey

The majority of findings in this report come from data collected in the Family Resources Survey (FRS) in 2021/22 and the Households Below Average Income (HBAI) data that was generated from this. These datasets are the UK's official source of poverty estimates. They are used to estimate current levels of poverty across the UK and whether, and how, the poverty rate has changed over time. Our previous UK Poverty reports have also drawn extensively on figures that the Department for Work and Pensions (DWP) has made available from these datasets.

As in 2020/21, the restrictions in place during the Covid-19 pandemic affected data collection for the 2021/22 FRS. Although many of these restrictions were eased or lifted over the course of the year, fieldwork interviews continued to be carried out by telephone during the 2021/22 survey year, rather than face to face as they had been before the pandemic.

The DWP only published a limited number of tables from the 2020/21 FRS and HBAI, due to concerns about the impact of moving to telephone interviewing on response rates and survey biases. In particular, its analysis of the data found that there were more outright homeowners and fewer renters in the sample than there had been in the previous year, while the sample also contained more pension-age respondents, as well as fewer households with children and respondents without a university degree-level qualification than the population as a whole.

To overcome some of the issues identified in the 2020/21 data, a number of steps were taken for the 2021/22 data. This included increasing the sample size to around 16,000 households, up from around 10,000 in 2020/21 but still below the 20,000 households in previous years. This means that the precision around estimates from the data (and so the width of confidence intervals around these) was wider than in pre-pandemic data but narrower than for 2020/21 estimates. The DWP also introduced a biannual grossing control for the sample across Great Britain to ensure the weighted sample was equally spread across the first and second six months of the survey year.

After its own analysis of the 2021/22 data, the DWP has concluded that there are fewer biases in the latest dataset than there had been a year earlier. Although it continues to urge caution with the interpretation of some results, particularly in comparison to previous years' data, many of the data issues identified in 2020/21 have been addressed. This has meant that the composition of the 2021/22 sample was more representative, although the shifting survey mode still had some impacts on the data, and not all of the biases they may have introduced can be controlled for.

Overall, the composition of the overall sample in 2021/22 was more representative in a number of ways that are particularly relevant to this report:

- There was a higher proportion of young respondents, and a lower proportion of older respondents, than there had been in the 2020/21 sample, but pension-age respondents were still over-represented in 2021/22.
- As in 2020/21, there appear to be higher proportions of respondents living in certain family types in the 2021/22 sample. In particular, there were more pensioner couples and fewer working-age couples with children than before the pandemic. The DWP believes that the grossing regime largely addresses this. However, this has knock-on effects for the composition of the weighted sample, with more benefit units with three or more children (and fewer one-child families) and fewer young families (with children under 5 years old).
- There was a higher proportion of renters and a lower proportion of owner-occupiers in the 2021/22 sample, but owner-occupiers were still over-represented in the sample.
- Working-age respondents educated to university degree level or higher remained over-represented in the sample, so the additional grossing controls that were introduced in 2020/21 to rebalance the sample were maintained in 2021/22.
- People with visual, hearing and memory impairments continued to be under-represented in the 2021/22 sample, as they were in 2020/21. Although the DWP warns of a modest mode effect that may have affected disability estimates after moving from face-to-face to telephone interviews, it considers these estimates to be sufficiently reliable and comparable with data from earlier years.
- A smaller proportion of minority ethnic households were in the 2020/21 sample, with much smaller sample sizes leading to more variation than seen in previous survey years. Although Bangladeshi households continue to be under-represented in the latest data, the latest weighted sample is more in line with equivalent samples from before the pandemic than the 2020/21 data.

It is also important to note that the DWP has advised that the 2020/21 data should not be included in calculations of any three-year averages for estimates, used primarily for breakdowns by UK nation or region and by ethnic group. This means that the figures presented in this year's UK Poverty report have been calculated slightly differently than those used in previous reports, as the latest three-year average is, in fact, only an average of estimates from the 2019/20 and 2021/22 data. Last year's estimates have also been updated to include only data from 2018/19 and 2019/20, and so do not correspond exactly with those included in last year's report.

Many of the data-quality and sample-bias issues that the DWP flagged for the 2020/21 data appear to have been resolved in the latest data. Although some remain, largely due to potential mode effects caused by the move from face-to-face to telephone interviews, the DWP has not cautioned against small-group analysis to the same extent as it did in 2020/21. Even though some findings still need to be treated with more caution than in pre-Covid reports, the HBAI and FRS data – even with these limitations – is an important source of information to gain a better understanding of people's risk and experience of poverty during the first two years of the pandemic. While it may still be difficult to distinguish between differences in findings that are driven by real-world changes and those that are driven by changes in data collection methods since the start of the pandemic, it still offers us the best insights into people's experiences of poverty over this time period.

Notes

1. The income measure used to calculate the persistent very deep poverty rate is not identical to that used by the Department for Work and Pensions in its analysis. Therefore the persistent poverty rates and persistent very deep poverty rates are not directly comparable.
2. Values do not add up to 100% due to rounding.
3. Excludes 16–19 year olds who were not in full-time work or education or training as they would be classified as working-age adults.
4. Due to small sample sizes in the data, poverty rates across all groups reflect three-year averages. However, due to data-quality concerns for the first year of the Covid-19 pandemic, the latest averages do not include data collected in 2020/21. Due to the individual-level dataset that is available to estimate levels of poverty and very deep poverty among people from different ethnic groups, some of these figures differ slightly from those published by the Department for Work and Pensions.
5. An additional category including people from 'any other Black background' is also included in the data. However, the number of respondents in this category in the Family Resources Survey and Households Below Average Income data is too small to report findings for this group, although these respondents are included in results shown for the overarching category of 'Black or Black British'. It is included for the analysis of Understanding Society, where the sample size for this subgroup is larger.
6. Disability is defined according to the core definition within the Equality Act 2010: 'a physical or mental impairment which has a substantial and long-term adverse effect on the ability to carry out normal day-to-day activities'.
7. Mental disability includes difficulty with learning, understanding or concentrating, memory, mental health, and social or behavioural difficulties (for example, those associated with autism, attention deficit hyperactivity disorder or Asperger's syndrome). Physical disability includes difficulty with vision, hearing, mobility, dexterity, stamina, breathing or fatigue. The 'other' disability category is a specific response category included in the Family Resources Survey to capture any other disability not included in the given response list. Only people who say that their condition limits their daily life a lot or a little are included in these categories.

8. For a comprehensive list of changes, see Hobson (2020). These include: the benefit cap, the High Income Child Benefit Charge, localisation of Council Tax support, reforms to Employment and Support Allowance (ESA), the under-occupation deduction (commonly known as the 'bedroom tax'), changes to the calculation of Local Housing Allowance, the introduction of Personal Independence Payments, abolishing the Social Fund, turning Support for Mortgage Interest into a loan, introducing the two-child limit for certain benefits, introducing Universal Credit and changes to uprating, including a benefits freeze.
9. People are eligible for free school meals for a variety of reasons, including if their household is in receipt of low-income benefits such as Universal Credit (if the household's income after tax is less than £7,400 a year) or Income Support (Turn2Us, 2023).
10. Real household disposable income also includes non-profit institutions serving households, such as charities, trade unions and religious organisations, so changes in the series may not be solely due to changes in household incomes. However, non-profit institutions are a relatively small component.

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The Joseph Rowntree Foundation is working with governments, businesses, communities, charities and individuals to solve UK poverty. This report provides a comprehensive, independent and authoritative overview of UK poverty in 2024, which we hope will make more people want to solve poverty, understand it and take action.

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